

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended: September 27, 2020

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Commission File Number: 001-14543



**TrueBlue, Inc.**

(Exact name of registrant as specified in its charter)

**Washington** **91-1287341**  
(State of incorporation) (I.R.S. employer identification no.)

**1015 A Street, Tacoma, Washington 98402**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (253) 383-9101**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	TBI	New York Stock Exchange

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 12, 2020, there were 35,472,768 shares of the registrant's common stock outstanding.

**TrueBlue, Inc.**  
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**PART I. FINANCIAL INFORMATION**

**Item 1. CONSOLIDATED FINANCIAL STATEMENTS**

**TRUEBLUE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(unaudited)*

<i>(in thousands, except par value data)</i>	September 27, 2020	December 29, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,233	\$ 37,608
Accounts receivable, net of allowance of \$5,447 and \$4,288	279,812	342,303
Prepaid expenses, deposits and other current assets	27,008	30,717
Income tax receivable	15,696	11,105
Total current assets	350,749	421,733
Property and equipment, net	66,994	66,150
Restricted cash and investments	229,815	230,932
Deferred income taxes, net	28,766	3,228
Goodwill	94,212	237,498
Intangible assets, net	30,704	73,673
Operating lease right-of-use assets, net	37,645	41,082
Workers' compensation claims receivable, net	51,970	44,624
Other assets, net	17,343	17,235
Total assets	\$ 908,198	\$ 1,136,155
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 56,303	\$ 68,406
Accrued wages and benefits	60,209	67,604
Current portion of workers' compensation claims reserve	65,860	73,020
Current operating lease liabilities	13,670	14,358
Other current liabilities	6,385	7,418
Total current liabilities	202,427	230,806
Workers' compensation claims reserve, less current portion	188,934	182,598
Long-term debt, less current portion	1,500	37,100
Long-term deferred compensation liabilities	25,044	26,765
Long-term operating lease liabilities	25,950	28,849
Deferred employer payroll taxes	36,312	—
Other long-term liabilities	3,849	4,064
Total liabilities	484,016	510,182
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, \$0.131 par value, 20,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 35,450 and 38,593 shares issued and outstanding	1	1
Accumulated other comprehensive loss	(17,379)	(13,238)
Retained earnings	441,560	639,210
Total shareholders' equity	424,182	625,973
Total liabilities and shareholders' equity	\$ 908,198	\$ 1,136,155

*See accompanying notes to consolidated financial statements*

**TRUEBLUE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
*(unaudited)*

<i>(in thousands, except per share data)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Revenue from services	\$ 474,530	\$ 636,793	\$ 1,327,726	\$ 1,777,739
Cost of services	364,066	469,058	1,007,878	1,306,626
Gross profit	110,464	167,735	319,848	471,113
Selling, general and administrative expense	90,100	129,800	304,681	383,745
Depreciation and amortization	7,652	8,749	24,002	28,528
Goodwill and intangible asset impairment charge	—	—	175,189	—
Income (loss) from operations	12,712	29,186	(184,024)	58,840
Interest expense	(628)	(715)	(3,104)	(2,097)
Interest and other income, net	454	1,186	2,781	3,948
Interest and other income (expense), net	(174)	471	(323)	1,851
Income (loss) before tax expense (benefit)	12,538	29,657	(184,347)	60,691
Income tax expense (benefit)	3,743	2,981	(34,480)	6,333
Net income (loss)	\$ 8,795	\$ 26,676	\$ (149,867)	\$ 54,358
Net income (loss) per common share:				
Basic	\$ 0.25	\$ 0.69	\$ (4.20)	\$ 1.39
Diluted	\$ 0.25	\$ 0.68	\$ (4.20)	\$ 1.38
Weighted average shares outstanding:				
Basic	34,597	38,741	35,643	39,090
Diluted	34,904	39,213	35,643	39,479
Other comprehensive income (loss):				
Foreign currency translation adjustment	\$ 386	\$ (1,657)	\$ (4,141)	\$ (1,024)
Comprehensive income (loss)	\$ 9,181	\$ 25,019	\$ (154,008)	\$ 53,334

*See accompanying notes to consolidated financial statements*

**TRUEBLUE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited)*

<i>(in thousands)</i>	Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (149,867)	\$ 54,358
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	24,002	28,528
Goodwill and intangible asset impairment charge	175,189	—
Provision for doubtful accounts	6,582	5,997
Stock-based compensation	6,762	8,119
Deferred income taxes	(25,955)	1,058
Non-cash lease expense	11,115	11,087
Other operating activities	1,944	(1,701)
Changes in operating assets and liabilities:		
Accounts receivable	55,408	(17,616)
Income tax receivable	(4,928)	(3,982)
Other assets	(2,646)	(9,449)
Accounts payable and other accrued expenses	(12,723)	(6,970)
Accrued wages and benefits	(7,395)	(141)
Workers' compensation claims reserve	(824)	(7,176)
Operating lease liabilities	(11,410)	(11,297)
Deferred employer payroll taxes	36,312	—
Other liabilities	(2,798)	1,723
<b>Net cash provided by operating activities</b>	<b>98,768</b>	<b>52,538</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(16,244)	(18,297)
Divestiture of business	—	215
Purchases of restricted available-for-sale investments	(2,310)	(5,299)
Sales of restricted available-for-sale investments	3,212	3,881
Purchases of restricted held-to-maturity investments	(32,495)	(17,298)
Maturities of restricted held-to-maturity investments	24,358	25,095
<b>Net cash used in investing activities</b>	<b>(23,479)</b>	<b>(11,703)</b>
<b>Cash flows from financing activities:</b>		
Purchases and retirement of common stock	(52,346)	(31,316)
Net proceeds from employee stock purchase plans	734	1,023
Common stock repurchases for taxes upon vesting of restricted stock	(2,331)	(1,934)
Net change in revolving credit facility	(35,600)	(36,200)
Other	(1,436)	(203)
<b>Net cash used in financing activities</b>	<b>(90,979)</b>	<b>(68,630)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(466)	732
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(16,156)</b>	<b>(27,063)</b>
Cash, cash equivalents and restricted cash, beginning of period	92,371	102,450
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 76,215</b>	<b>\$ 75,387</b>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid (received) during the period for:		
Interest	\$ 2,672	\$ 1,767
Income taxes	(3,414)	9,230
Operating lease liabilities	13,147	13,280
Non-cash transactions:		
Property and equipment purchased but not yet paid	1,614	945
Right-of-use assets obtained in exchange for new operating lease liabilities	8,672	10,825

*See accompanying notes to consolidated financial statements*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Financial statement preparation*

The accompanying unaudited consolidated financial statements (“financial statements”) of TrueBlue, Inc. (the “company,” “TrueBlue,” “we,” “us,” and “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the financial statements for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial statements.

We also considered COVID-19 related impacts to our estimates, as appropriate, within our financial statements and there may be changes to those estimates in future periods. However, we believe that the accounting estimates used are appropriate after considering the increased uncertainties surrounding the severity and duration of COVID-19. These estimates and assumptions are subject to inherent uncertainties, which may result in actual future amounts differing from reported estimated amounts.

These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2019. The results of operations for the thirteen and thirty-nine weeks ended September 27, 2020 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

#### *Recently adopted accounting standards*

##### *Credit losses*

In June 2016, the Financial Accounting Standards Board issued guidance on accounting for credit losses on financial instruments. This guidance sets forth a current expected credit loss model (“CECL”), which requires the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions, and forecasted information rather than the previous methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This guidance was adopted at the beginning of the first quarter of 2020. We were required to apply the new standard by means of a cumulative-effect adjustment to opening retained earnings as of the beginning of the first quarter of 2020. The total impact upon adoption to opening retained earnings was immaterial to both the individual financial assets affected as well as in the aggregate.

The following policies have been updated to reflect our adoption of the new standard on accounting for credit losses on financial instruments.

##### Accounts receivable and allowance for credit losses

Accounts receivable are recorded at the invoiced amount. We establish an estimate for the allowance for credit losses resulting from the failure of our clients to make required payments by applying an aging schedule to pools of assets with similar risk characteristics. Based on an analysis of the risk characteristics of our clients and associated receivables, we have concluded our pools are as follows:

- PeopleReady and Centerline Drivers (“Centerline”) have a large, diverse set of clients, generally with frequent, low dollar invoices due to the daily nature of the work we perform. This results in high turnover in accounts receivable and lower rates of non-payment.
- PeopleManagement On-Site has a smaller number of clients, and follows a contractual billing schedule. The invoice amounts are higher than that of PeopleReady and Centerline, with longer payment terms.
- PeopleScout has a smaller number of clients, and generally sends invoices on a consolidated basis for a client. Invoice amounts are generally higher for PeopleScout than for PeopleManagement On-Site, with similar payment terms.

When specific clients are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately. The credit loss rates applied to each aging category by pool are based on current collection

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

efforts, historical collection trends, write-off experience, client credit risk, current economic data and forecasted information. The allowance for credit loss is reviewed quarterly and represents our best estimate of the amount of expected credit losses. Each month, past due or delinquent balances are identified based upon a review of aged receivables performed by collections and operations. Past due balances are written off when it is probable the receivable will not be collected. Changes in the allowance for credit losses are recorded in selling, general and administrative (“SG&A”) expense on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Due to the uncertain economic environment, it is difficult to estimate the impact caused by COVID-19 on our clients. However, the allowance for credit loss for accounts receivable as of September 27, 2020 is our best estimate of the amount of expected credit losses. Should actual results deviate from what we have currently estimated, our allowance for credit losses could change significantly.

The activity related to the allowance for credit losses for accounts receivable during the thirty-nine weeks ended September 27, 2020 was as follows:

*(in thousands)*

Beginning balance	\$	4,288
Cumulative-effect adjustment (1)		524
Current period provision		6,582
Write-offs		(5,925)
Foreign currency translation		(22)
Ending balance	\$	5,447

(1) As a result of our adoption of the accounting standard for credit losses, we recognized a cumulative-effect adjustment to our account receivable allowance of \$0.5 million as of the beginning of the first quarter of 2020.

### Restricted cash and investments

We establish an allowance for credit loss for our held-to-maturity debt securities using a discounted cash flow method including a probability of default rate based on the issuer’s credit rating. We report the entire change in present value as credit loss expense (or reversal of credit loss expense) in cost of services on the Consolidated Statements of Operations and Comprehensive Income (Loss). The cumulative-effect adjustment to our held-to-maturity debt securities as a result of adopting CECL as of the beginning of the first quarter of 2020 was immaterial, as was the allowance as of September 27, 2020.

### Workers’ compensation claims reserves

We establish an allowance for credit loss for our insurance receivables using a probability of default and losses expected upon default method, with the probability of default rate based on the third-party insurance carrier’s credit rating. Changes in the allowance for credit losses are recorded in cost of services on the Consolidated Statements of Operations and Comprehensive Income (Loss). The cumulative-effect adjustment to our workers’ compensation insurance receivables as a result of adopting CECL as of the beginning of the first quarter of 2020 was immaterial, as was the allowance as of September 27, 2020.

### Reclassifications

Certain previously reported amounts have been reclassified to conform to the current presentation. Specifically, the company has made certain reclassifications between cost of services and SG&A expense to more accurately reflect the costs of delivering our services. Such reclassifications did not have a significant impact on the company’s gross profit or SG&A expense.

Certain immaterial prior year amounts have also been reclassified within cash flows from investing activities on our Consolidated Statements of Cash Flows to conform to current year presentation.

### Recently issued accounting pronouncements not yet adopted

There are no accounting pronouncements which have not yet been adopted that are expected to have a significant impact on our financial statements and related disclosures.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2: FAIR VALUE MEASUREMENT

#### *Assets measured at fair value on a recurring basis*

Our assets measured at fair value on a recurring basis consisted of the following:

<i>(in thousands)</i>	September 27, 2020			
	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	\$ 28,233	\$ 28,233	\$ —	\$ —
Restricted cash and cash equivalents	47,982	47,982	—	—
Cash, cash equivalents and restricted cash (1)	\$ 76,215	\$ 76,215	\$ —	\$ —
Municipal debt securities	\$ 72,354	\$ —	\$ 72,354	\$ —
Corporate debt securities	88,136	—	88,136	—
Agency mortgage-backed securities	713	—	713	—
U.S. government and agency securities	1,139	—	1,139	—
Restricted investments classified as held-to-maturity	\$ 162,342	\$ —	\$ 162,342	\$ —
Deferred compensation investments (2)	\$ 12,950	\$ 12,950	\$ —	\$ —

<i>(in thousands)</i>	December 29, 2019			
	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	\$ 37,608	\$ 37,608	\$ —	\$ —
Restricted cash and cash equivalents	54,763	54,763	—	—
Cash, cash equivalents and restricted cash (1)	\$ 92,371	\$ 92,371	\$ —	\$ —
Municipal debt securities	\$ 74,236	\$ —	\$ 74,236	\$ —
Corporate debt securities	76,068	—	76,068	—
Agency mortgage-backed securities	1,376	—	1,376	—
U.S. government and agency securities	1,051	—	1,051	—
Restricted investments classified as held-to-maturity	\$ 152,731	\$ —	\$ 152,731	\$ —
Deferred compensation investments (2)	\$ 13,670	\$ 13,670	\$ —	\$ —

(1) Cash, cash equivalents and restricted cash consist of money market funds, deposits and investments with original maturities of three months or less.

(2) Deferred compensation investments consist of mutual funds and money market funds.

#### *Assets measured at fair value on a nonrecurring basis*

We measure the fair value of certain non-financial assets on a nonrecurring basis, including goodwill and certain intangible assets. During the first quarter of 2020, we performed an interim impairment test as of the last day of our first fiscal quarter (March 29, 2020) due to market conditions. As a result of the test, goodwill and client relationship intangible assets with a total carrying value of \$221.6 million were written down to their fair value, and an impairment charge of \$175.2 million was recognized on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 27, 2020. Refer to Note 4: *Goodwill and Intangible Assets* for additional details on the impairment charge and valuation methodologies.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The impairment was comprised as follows:

<i>(in thousands)</i>	March 29, 2020				
	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total impairment loss
Goodwill	\$ 31,705	\$ —	\$ —	\$ 31,705	\$ (140,489)
Client relationships	14,700	—	—	14,700	(34,700)
Total	\$ 46,405	\$ —	\$ —	\$ 46,405	\$ (175,189)

### NOTE 3: RESTRICTED CASH AND INVESTMENTS

The following is a summary of the carrying value of our restricted cash and investments:

<i>(in thousands)</i>	September 27, 2020	December 29, 2019
Cash collateral held by insurance carriers	\$ 25,843	\$ 24,612
Cash and cash equivalents held in Trust	18,543	23,681
Investments held in Trust	156,030	149,373
Deferred compensation investments	12,950	13,670
Company owned life insurance policies	12,853	13,126
Other restricted cash and cash equivalents	3,596	6,470
Total restricted cash and investments	\$ 229,815	\$ 230,932

#### Held-to-maturity

Restricted cash and investments include collateral that has been provided or pledged to insurance carriers for workers' compensation and state workers' compensation programs. Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation. The collateral typically takes the form of cash and cash equivalents and highly rated investment grade securities, primarily in debt and asset-backed securities. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust").

The amortized cost and estimated fair value of our held-to-maturity investments held in Trust, aggregated by investment category as of September 27, 2020 and December 29, 2019, were as follows:

<i>(in thousands)</i>	September 27, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	\$ 68,716	\$ 3,638	\$ —	\$ 72,354
Corporate debt securities	85,629	2,605	(98)	88,136
Agency mortgage-backed securities	686	27	—	713
U.S. government and agency securities	999	140	—	1,139
Total held-to-maturity investments	\$ 156,030	\$ 6,410	\$ (98)	\$ 162,342

<i>(in thousands)</i>	December 29, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	\$ 72,017	\$ 2,219	\$ —	\$ 74,236
Corporate debt securities	75,000	1,102	(34)	76,068
Agency mortgage-backed securities	1,357	21	(2)	1,376
U.S. government and agency securities	999	52	—	1,051
Total held-to-maturity investments	\$ 149,373	\$ 3,394	\$ (36)	\$ 152,731

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The amortized cost and fair value by contractual maturity of our held-to-maturity investments are as follows:

<i>(in thousands)</i>	September 27, 2020	
	Amortized cost	Fair value
Due in one year or less	\$ 21,395	\$ 21,605
Due after one year through five years	111,992	116,813
Due after five years through ten years	22,643	23,924
Total held-to-maturity investments	\$ 156,030	\$ 162,342

Actual maturities may differ from contractual maturities because the issuers of certain debt securities have the right to call or prepay their obligations without penalty. We have no significant concentrations of counterparties in our held-to-maturity investment portfolio.

*Deferred compensation investments and company owned life insurance policies*

We hold mutual funds, money market funds and company owned life insurance policies to support our deferred compensation liability. Unrealized gains and losses related to these investments still held at September 27, 2020 and September 29, 2019, included in SG&A expense on our Consolidated Statements of Operations and Comprehensive Income (Loss), were as follows:

<i>(in thousands)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Unrealized gains (losses)	\$ 1,452	\$ (115)	\$ (258)	\$ 3,078

**NOTE 4: GOODWILL AND INTANGIBLE ASSETS**

*Goodwill*

The following table reflects changes in the carrying amount of goodwill during the period by reportable segments:

<i>(in thousands)</i>	PeopleReady	PeopleManagement	PeopleScout	Total company
Balance at December 29, 2019				
Goodwill before impairment	\$ 106,304	\$ 81,092	\$ 145,181	\$ 332,577
Accumulated impairment loss	(46,210)	(33,700)	(15,169)	(95,079)
Goodwill, net	60,094	47,392	130,012	237,498
Impairment loss	—	(45,901)	(94,588)	(140,489)
Foreign currency translation	—	—	(2,797)	(2,797)
Balance at September 27, 2020				
Goodwill before impairment	106,304	81,092	142,384	329,780
Accumulated impairment loss	(46,210)	(79,601)	(109,757)	(235,568)
Goodwill, net	\$ 60,094	\$ 1,491	\$ 32,627	\$ 94,212

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Intangible assets

#### Finite-lived intangible assets

The following table presents our purchased finite-lived intangible assets:

(in thousands)	September 27, 2020			December 29, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Finite-lived intangible assets (1):						
Client relationships (2)	\$ 96,978	\$ (73,725)	\$ 23,253	\$ 149,299	\$ (83,317)	\$ 65,982
Trade names/trademarks	1,978	(527)	1,451	2,052	(441)	1,611
Technologies	—	—	—	600	(520)	80
Total finite-lived intangible assets	\$ 98,956	\$ (74,252)	\$ 24,704	\$ 151,951	\$ (84,278)	\$ 67,673

(1) Excludes assets that are fully amortized.

(2) Balance at September 27, 2020 is net of impairment loss of \$34.7 million recorded in the thirty-nine weeks ended September 27, 2020.

Amortization expense of our finite-lived intangible assets was \$2.0 million and \$3.9 million for the thirteen weeks ended September 27, 2020 and September 29, 2019, respectively, and \$8.1 million and \$13.9 million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

#### Indefinite-lived intangible assets

We also held indefinite-lived trade names/trademarks of \$6.0 million as of September 27, 2020 and December 29, 2019.

### Impairments

#### Goodwill

We evaluate goodwill for impairment on an annual basis as of the first day of our fiscal second quarter, and whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include a significant change in the business climate, operating performance indicators, competition, client engagement, legal factors, or sale or disposition of a significant portion of a reporting unit. We monitor the existence of potential impairment indicators throughout the fiscal year.

#### Interim impairment test

During the first quarter of 2020, the following events made it more likely than not that an impairment had occurred and accordingly, we performed an interim impairment test as of the last day of our fiscal first quarter.

We experienced a significant decline in our stock price during the first quarter of 2020. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market capitalization reflected the expected continued weakness in pricing and demand for our staffing services in a volatile economic climate. This was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. We experienced a significant drop in client demand associated with government and societal actions taken to address COVID-19. We expected significant decreases to our revenues and corresponding operating results to continue due to weakness in pricing and demand for our services during the severe economic downturn. While demand was expected to recover in the future, the rate of recovery was expected to vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections would decline to a contained level.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions to evaluate the impact of operating and macroeconomic changes on each reporting unit. The fair value of each reporting unit was estimated using a combination of a discounted cash flow methodology and the market valuation approach using publicly traded company multiples in similar businesses. This analysis required significant judgments, including estimation of future cash flows, which was dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows would occur, and determination of our weighted average cost of capital, which was risk-adjusted to reflect the specific risk profile of the reporting unit being tested. The weighted average cost of capital used ranged from 11.5% to 12.0%. The combined fair values for all reporting units were then reconciled to our aggregate market value of our shares of common stock on the date of valuation, while considering a

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

reasonable control premium. As a result of this impairment test, we concluded that the carrying amounts of goodwill for our PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of \$140.5 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 27, 2020. The goodwill carrying value of \$45.9 million for our PeopleManagement On-Site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was \$92.2 million and \$2.4 million, respectively.

### *Annual impairment test*

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual goodwill impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it was more likely than not that the fair value of any of our reporting units is less than the carrying value. We considered the current and expected future economic and market conditions surrounding COVID-19 and concluded that it was not more likely than not that the goodwill associated with our reporting units were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were \$22.9 million and \$9.7 million, respectively, as of September 27, 2020. Should actual results decline further or longer than we have currently estimated, the remaining goodwill balances may be further impaired. We will continue to closely monitor the operational performance of these reporting units.

### *Finite-lived intangible assets*

We generally record acquired intangible assets that have finite useful lives, such as client relationships, in connection with business combinations. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results or significant changes in business strategies. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on discounted cash flow analysis or other valuation techniques.

### *Interim impairment test*

With the decrease in demand for our services due to the economic impact caused by the response to COVID-19, we lowered our future expectations, which was the primary trigger of the impairment test as of the last day of our fiscal first quarter for certain of our acquired client relationships intangible assets. As a result of this impairment test, we recorded a non-cash impairment loss for our PeopleScout RPO and PeopleManagement On-Site client relationship intangible assets of \$34.7 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 27, 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-Site client relationship intangible assets was \$25.0 million and \$9.7 million, respectively. Considerable management judgment was necessary to determine key assumptions, including projected revenue of acquired clients and an appropriate discount rate of 12.0%. Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleManagement On-Site were \$5.5 million and \$7.6 million, respectively, as of September 27, 2020.

### *Indefinite-lived intangible assets*

We have indefinite-lived intangible assets related to our Staff Management and PeopleScout trade names. We test our trade names annually for impairment, and when indicators of potential impairment exist. We utilize the relief from royalty method to determine the fair value of each of our trade names. If the carrying value exceeds the fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Interim impairment test*

We performed an interim impairment test of our indefinite-lived intangible assets as of the last day of our first fiscal quarter for 2020 and determined that the estimated fair values exceeded the carrying amounts for our indefinite-lived trade names. Accordingly, no impairment loss was recognized.

*Annual impairment test*

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual indefinite-lived trade names impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it was more likely than not that the fair value of any of our indefinite-lived trade names is less than the carrying value. We concluded that it was not more likely than not that the indefinite-lived intangible assets associated with our Staff Management and PeopleScout trade names were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020.

**NOTE 5: WORKERS' COMPENSATION INSURANCE AND RESERVES**

We provide workers' compensation insurance for our contingent and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a \$2.0 million deductible limit, on a "per occurrence" basis. This results in our being substantially self-insured.

Our workers' compensation reserve for claims below the deductible limit is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. The weighted average discount rate was 1.8% and 2.0% at September 27, 2020 and December 29, 2019, respectively. Payments made against self-insured claims are made over a weighted average period of approximately 5 years as of September 27, 2020.

The following table presents a reconciliation of the undiscounted workers' compensation reserve to the discounted workers' compensation reserve for the periods presented:

<i>(in thousands)</i>	<b>September 27, 2020</b>	<b>December 29, 2019</b>
Undiscounted workers' compensation reserve	\$ 272,467	\$ 274,934
Less discount on workers' compensation reserve	17,673	19,316
Workers' compensation reserve, net of discount	254,794	255,618
Less current portion	65,860	73,020
Long-term portion	\$ 188,934	\$ 182,598

Payments made against self-insured claims were \$40.6 million and \$47.3 million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

Our workers' compensation reserve includes estimated expenses related to claims above our self-insured limits ("excess claims"), and we record a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. At September 27, 2020 and December 29, 2019, the weighted average rate was 1.5% and 2.4%, respectively. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 16 years. The discounted workers' compensation reserve for excess claims was \$53.1 million and \$45.3 million, and the corresponding gross receivable for the insurance on excess claims was \$52.1 million and \$45.3 million as of September 27, 2020 and December 29, 2019, respectively.

Workers' compensation cost consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums and other miscellaneous expenses. Workers' compensation cost of \$ 14.4 million and \$18.0 million was recorded in cost of services on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen weeks ended September 27, 2020 and September 29, 2019, respectively, and \$38.0 million and \$46.2 million on the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 6: LONG-TERM DEBT**

On March 16, 2020, we entered into a first amendment to our credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A. dated as of July 13, 2018, which extended the maturity of the revolving credit facility established thereunder (the "Revolving Credit Facility") to March 16, 2025 and modified certain other terms. On June 24, 2020, we entered into a second amendment to our credit agreement (the "Second Amendment"), which modified terms of our financial covenants as well as certain other provisions of the Revolving Credit Facility.

The amended credit agreement provides for a revolving line of credit of up to \$300.0 million with an option, subject to lender approval, to increase the amount to \$450.0 million. Included in the Revolving Credit Facility is a \$30.0 million sub-limit for "Swingline" loans and a \$125.0 million sub-limit for letters of credit. At September 27, 2020, \$1.5 million was drawn on the Revolving Credit Facility as a Swingline loan and \$6.1 million was utilized by outstanding standby letters of credit, leaving \$292.4 million unused under the Revolving Credit Facility, which is constrained by our most restrictive covenant at this time making \$138.5 million available for additional borrowings. At December 29, 2019, \$37.1 million was drawn on the Revolving Credit Facility, which included a \$17.1 million Swingline loan.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed under the revolving line of credit in excess of the Swingline loans, based on the London Interbank Offered Rate ("LIBOR") plus an applicable spread between 1.25% and 3.50%. Alternatively, at our option, we may pay interest based on a base rate plus an applicable spread between 0.25% and 1.50%. The base rate is the greater of the prime rate (as announced by Bank of America), or the federal funds rate plus 0.50%. The applicable spread on LIBOR is 3.50% through the end of fiscal 2020, and will be determined by the consolidated leverage ratio thereafter, as defined in the amended credit agreement.

Under the terms of the Revolving Credit Facility, we are required to pay a variable rate of interest on funds borrowed under the Swingline loan based on the base rate plus applicable spread between 0.25% and 1.50%, as described above. At September 27, 2020, the applicable spread on the base rate was 1.50% and the base rate was 3.25%, resulting in an interest rate of 4.75%.

A commitment fee between 0.25% and 0.50% is applied against the Revolving Credit Facility's unused borrowing capacity, with the specific rate determined by the consolidated leverage ratio, as defined in the amended credit agreement. Letters of credit are priced at a margin between 1.00% and 3.25%, plus a fronting fee of 0.50%.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The amended credit agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including, among others, financial covenants.

The following financial covenants, as defined in the Second Amendment, are in effect through the second quarter of 2021:

- Asset Coverage Ratio of greater than 1.00, defined as the ratio of 60% of accounts receivable to the difference of total debt outstanding and unrestricted cash in excess of \$50 million. As of September 27, 2020, our asset coverage ratio was greater than 1.00 at 22.1.
- Liquidity greater than \$150 million, defined as the sum of unrestricted cash and availability under the aggregate revolving commitments. As of September 27, 2020, our liquidity was greater than the \$150 million at \$320.6 million.

The following financial covenant, as defined in the Second Amendment, will be in effect for the first and second quarter of 2021:

- EBITDA, as defined in the amended credit agreement, greater than \$12 million for the trailing three quarters ending Q1 2021 and greater than \$15 million for the trailing four quarters ending Q2 2021.

The following financial covenants, as defined in the Second Amendment, will be in effect starting the third quarter of 2021 and thereafter:

- Consolidated leverage ratio greater than 4.00 for the third and fourth quarters of 2021 and greater than 3.00 thereafter, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement.
- Consolidated fixed charge coverage ratio greater than 1.25, defined as the trailing twelve months bank-adjusted cash flow divided by cash interest expense.

As of September 27, 2020, we were in compliance with all effective covenants related to the Revolving Credit Facility.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7: COMMITMENTS AND CONTINGENCIES***Workers' compensation commitments*

We have provided our insurance carriers and certain states with commitments in the form and amounts listed below:

<i>(in thousands)</i>	September 27, 2020	December 29, 2019
Cash collateral held by workers' compensation insurance carriers	\$ 22,076	\$ 22,256
Cash and cash equivalents held in Trust	18,543	23,681
Investments held in Trust	156,030	149,373
Letters of credit (1)	6,109	6,202
Surety bonds (2)	20,616	20,731
Total collateral commitments	\$ 223,374	\$ 222,243

(1) We have agreements with certain financial institutions to issue letters of credit as collateral.

(2) Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which are determined by each independent surety carrier. These fees do not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days' notice.

*Legal contingencies and developments*

We are involved in various proceedings arising in the normal course of conducting business. We believe the liabilities included in our financial statements reflect the probable loss that can be reasonably estimated. The amounts recorded are immaterial and resolution of those proceedings are not expected to have a material effect on our results of operations, financial condition or cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8: SHAREHOLDERS' EQUITY

Changes in the balance of each component of shareholders' equity during the reporting periods were as follows:

<i>(in thousands)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
<b>Common stock shares</b>				
Beginning balance	36,052	40,058	38,593	40,054
Purchases and retirement of common stock	(627)	(1,115)	(3,557)	(1,505)
Net issuance under equity plans, including tax benefits	48	(11)	387	355
Stock-based compensation	(23)	—	27	28
Ending balance	35,450	38,932	35,450	38,932
<b>Common stock amount</b>				
Beginning balance	\$ 1	\$ 1	\$ 1	\$ 1
Current period activity	—	—	—	—
Ending balance	1	1	1	1
<b>Retained earnings</b>				
Beginning balance	430,525	629,022	639,210	606,087
Net income (loss)	8,795	26,676	(149,867)	54,358
Purchases and retirement of common stock (1)	—	(22,239)	(52,346)	(31,316)
Net issuance under equity plans, including tax benefits	(177)	19	(1,597)	(911)
Stock-based compensation	2,417	2,859	6,762	8,119
Change in accounting standard cumulative-effect adjustment (2)	—	—	(602)	—
Ending balance	441,560	636,337	441,560	636,337
<b>Accumulated other comprehensive loss</b>				
Beginning balance, net of tax	(17,765)	(14,016)	(13,238)	(14,649)
Foreign currency translation adjustment	386	(1,657)	(4,141)	(1,024)
Ending balance, net of tax	(17,379)	(15,673)	(17,379)	(15,673)
Total shareholders' equity ending balance	\$ 424,182	\$ 620,665	\$ 424,182	\$ 620,665

(1) Under applicable Washington State law, shares purchased are not displayed separately as treasury stock on our Consolidated Balance Sheets and are treated as authorized but unissued shares. It is our accounting policy to first record these purchases as a reduction to our common stock account. Once the common stock account has been reduced to a nominal balance, remaining purchases are recorded as a reduction to our retained earnings. Furthermore, activity in our common stock account related to stock-based compensation is also recorded to retained earnings until such time as the reduction to retained earnings due to stock repurchases has been recovered.

(2) As a result of our adoption of the accounting standard for credit losses, we recognized a cumulative-effect adjustment to retained earnings of \$0.6 million in the first quarter of 2020.

#### *Share repurchase plan*

On October 16, 2019, our Board of Directors authorized a \$100.0 million share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have an expiration date. We may choose to purchase shares in the open market, from individual holders, through an accelerated share repurchase program or otherwise. As of September 27, 2020, \$66.7 million remains available for repurchase of common stock under the existing authorization. The second amendment to our credit agreement prohibits us from repurchasing shares until July 1, 2021.

As part of the existing share repurchase plan, on February 28, 2020 we entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution to repurchase \$40.0 million of our common stock. Under the ASR agreement, we paid \$40.0 million to the financial institution and received an initial delivery of 2,150,538 shares in the first quarter of 2020, which represented 80% of the total shares we expected to receive based on the market price at the time of the initial delivery. This transaction was initiated prior to the medical community's acknowledgment of the expected severity of the impact COVID-19 would have on the United States.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The final number of shares delivered upon settlement of the agreement was determined by the volume weighted average price of our shares over the term of the ASR agreement, less the agreed-upon discount. On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of \$14.40.

### NOTE 9: INCOME TAXES

Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment. Our quarterly tax provision and quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes in expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items, tax credits, and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of COVID-19. Among other things, the CARES Act provides certain changes to tax laws, including the ability to carry back losses to obtain refunds related to prior year tax returns.

Our effective tax rate for the thirty-nine weeks ended September 27, 2020 was 8.7%. The difference between the statutory federal income tax rate of 21% and our effective income tax rate results primarily from a non-deductible goodwill and intangible asset impairment charge and the impact of the CARES Act and the federal Work Opportunity Tax Credit ("WOTC"). WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. Other differences between the statutory federal income tax rate result from state and foreign income taxes, certain non-deductible expenses, tax exempt interest, and tax effects of stock-based compensation.

### NOTE 10: NET INCOME (LOSS) PER SHARE

Diluted common shares were calculated as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
<i>(in thousands, except per share data)</i>				
Net income (loss)	\$ 8,795	\$ 26,676	\$ (149,867)	\$ 54,358
Weighted average number of common shares used in basic net income (loss) per common share	34,597	38,741	35,643	39,090
Dilutive effect of non-vested restricted stock	307	472	—	389
Weighted average number of common shares used in diluted net income (loss) per common share	34,904	39,213	35,643	39,479
Net income (loss) per common share:				
Basic	\$ 0.25	\$ 0.69	\$ (4.20)	\$ 1.39
Diluted	\$ 0.25	\$ 0.68	\$ (4.20)	\$ 1.38
Anti-dilutive shares	595	220	1,006	245

### NOTE 11: SEGMENT INFORMATION

Our operating segments and reportable segments are described below:

Our **PeopleReady** reportable segment provides blue-collar, contingent staffing through the PeopleReady operating segment. PeopleReady provides on-demand and skilled labor in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, retail, waste and recycling, energy, hospitality, general labor and others.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our **PeopleManagement** reportable segment provides contingent labor and outsourced industrial workforce solutions, primarily on-site at the client's facility, through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *On-Site*: On-site management and recruitment for the contingent industrial workforce of manufacturing, warehouse, and distribution facilities; and
- *Centerline*: Recruitment and management of contingent and dedicated commercial drivers to the transportation and distribution industries.

Our **PeopleScout** reportable segment provides high-volume, permanent employee recruitment process outsourcing, employer branding services and management of outsourced labor service providers through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *PeopleScout RPO*: Outsourced recruitment of permanent employees on behalf of clients and employer branding services; and
- *PeopleScout MSP*: Management of multiple third-party staffing vendors on behalf of clients.

The following table presents our revenue disaggregated by major source and segment and a reconciliation of segment revenue from services to total company revenue:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
<i>(in thousands)</i>				
Revenue from services (1):				
<b>Contingent staffing</b>				
PeopleReady	\$ 293,546	\$ 413,132	\$ 801,991	\$ 1,109,261
PeopleManagement	147,241	159,315	407,516	470,889
<b>Human resource outsourcing</b>				
PeopleScout	33,743	64,346	118,219	197,589
<b>Total company</b>	<b>\$ 474,530</b>	<b>\$ 636,793</b>	<b>\$ 1,327,726</b>	<b>\$ 1,777,739</b>

(1) Inter-segment revenue is minimal.

The following table presents a reconciliation of segment profit to income (loss) before tax expense (benefit):

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
<i>(in thousands)</i>				
Segment profit:				
PeopleReady	\$ 18,714	\$ 30,878	\$ 27,002	\$ 64,143
PeopleManagement	4,574	3,381	6,063	9,815
PeopleScout	349	10,774	75	32,424
Total segment profit	23,637	45,033	33,140	106,382
Corporate unallocated	(5,968)	(5,769)	(16,106)	(16,680)
Work Opportunity Tax Credit processing fees	(174)	(240)	(309)	(720)
Acquisition/integration costs	—	(362)	—	(1,612)
Goodwill and intangible asset impairment charge	—	—	(175,189)	—
Other benefits (costs)	2,869	(727)	(1,558)	(2)
Depreciation and amortization	(7,652)	(8,749)	(24,002)	(28,528)
Income (loss) from operations	12,712	29,186	(184,024)	58,840
Interest and other income (expense), net	(174)	471	(323)	1,851
Income (loss) before tax expense (benefit)	\$ 12,538	\$ 29,657	\$ (184,347)	\$ 60,691

Asset information by reportable segment is not presented since we do not manage our segments on a balance sheet basis.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12: SUBSEQUENT EVENT

On October 1, 2020, we took possession of office space we are under contract to lease. The location requires construction and retrofitting before it will be available to serve as our Chicago Headquarters. The lease has a term of 15 years, commencing on April 1, 2021. As a result, we recorded a \$29.5 million right-of-use asset and corresponding lease liability as of the date of possession.

### Item 2.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### COMMENT ON FORWARD LOOKING STATEMENTS

*Certain statements in this Form 10-Q, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, the impact of and our ongoing response to COVID-19, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "goal," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in our forward-looking statements, including the risks and uncertainties described in "Management's Discussion and Analysis" (Part I, Item 2 of this Form 10-Q), "Quantitative and Qualitative Disclosures about Market Risk" (Part I, Item 3 of this Form 10-Q), and "Risk Factors" (Part II, Item 1A of this Form 10-Q). We undertake no duty to update or revise publicly any of the forward-looking statements after the date of this report or to conform such statements to actual results or to changes in our expectations, whether because of new information, future events, or otherwise.*

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of our accompanying unaudited consolidated financial statements ("financial statements") with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors that may affect future results. MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the fiscal year ended December 29, 2019, and our financial statements and the accompanying notes to our financial statements.

### OVERVIEW

TrueBlue, Inc. (the "company," "TrueBlue," "we," "us" and "our") is a leading provider of specialized workforce solutions that help clients achieve business growth and improve productivity. In 2019, we connected approximately 724,000 people with work and served approximately 139,000 clients. We report our business as three reportable segments: PeopleReady, PeopleManagement and PeopleScout. See Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our operating segments and reportable segments. Our PeopleReady segment offers on-demand, industrial staffing; our PeopleManagement segment offers contingent, on-site industrial staffing and commercial driver services; and our PeopleScout segment offers recruitment process outsourcing ("RPO") and managed service provider ("MSP") solutions to a wide variety of industries.

The global economy and our business have been dramatically affected by the COVID-19 pandemic. We continue to monitor its impact on all aspects of our business. Throughout the pandemic, our business has remained open and we have continued to provide key services to essential businesses. However, the preventative measures and individual precautions taken to help curb the spread of COVID-19, and the resulting negative impact on the economy, continue to have a severe adverse impact on client demand for our services and our business results.

Our first priority, with regard to COVID-19, continues to be the safety, health and hygiene of our associates, employees, clients, suppliers and others with whom we partner in our business activities to continue our operations in this unprecedented environment. We implemented comprehensive measures across our businesses to keep our workers and clients healthy and safe, including adherence to guidance from the Centers for Disease Control and Prevention, World Health Organization, Occupational Safety and Health Administration and other key authorities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In response to the rapidly changing market conditions as a result of COVID-19, commencing in March 2020, we have taken actions to reduce our operating expenses while preserving the key strengths of our business to ensure we are prepared when business conditions improve. Additionally, in June 2020, we amended our credit agreement to further enhance our liquidity position and we have implemented initiatives to improve cash flow. Our cost management strategies are on track and continue to preserve our operating results and liquidity. At this time, we have ample liquidity to satisfy our cash needs. However, the long-term impacts of the pandemic are difficult to predict. Accordingly, we will continue to evaluate the nature and extent of the impact of COVID-19 on our business, consolidated results of operations, financial condition, and liquidity.

We continue to monitor this rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. There may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, it is difficult to estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. For additional discussion on the uncertainties and business risks associated with COVID-19, refer to "Risk Factors" in Part II, Item 1A of this Form 10-Q.

### Third quarter of 2020 highlights

#### Revenue from services

Total company revenue declined 25.5% to \$474.5 million for the thirteen weeks ended September 27, 2020, compared to the same period in the prior year. The decline was due to a significant drop in client demand associated with government and societal actions taken to address COVID-19. In particular, the preventive measures and individual precautions taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of our clients have been severely impacted by COVID-19 and have reduced their need for our staffing services, which has resulted in lower revenue. During the third quarter, we saw improving trends when compared to the second quarter of 2020 with year-over-year revenue declines of 25.5% compared to 39.0% in the second quarter. This steady improvement in the third quarter was broad-based across most of the industries and geographies we serve.

PeopleReady, our largest segment, experienced a revenue decline of 28.9%. PeopleManagement, our lowest margin segment, experienced a revenue decline of 7.6%. PeopleManagement supplies an outsourced workforce that involves multiyear, multi-million dollar on-site or driver relationships. These types of client engagements are often more resilient in an economic downturn. PeopleScout, our highest margin segment, experienced a revenue decline of 47.6%. PeopleScout has a large number of clients in the travel and leisure sectors which continue to be significantly impacted by COVID-19.

#### Gross profit margin

Total company gross profit as a percentage of revenue for the thirteen weeks ended September 27, 2020, decreased by 300 basis points to 23.3%, compared to 26.3% for the same period in the prior year. Our staffing businesses contributed 230 basis points of the decline due to 180 basis points from pressure on our bill and pay rates and the remainder primarily due to client mix. The bill and pay rate pressure was caused by higher pay rates to entice associates to take work assignments given COVID-19 health concerns and additional federal unemployment benefits. As with prior recessions, our ability to pass through higher costs plus our standard markup in our bill rates was hampered due to a variety of economic factors negatively impacting our client's businesses. Our PeopleScout business contributed approximately 70 basis points to the decline primarily due to client mix and reduced volumes.

#### Selling, general and administrative expense ("SG&A")

Total company SG&A expense decreased by \$40.0 million to \$90.1 million, or 19.0% of revenue for the thirteen weeks ended September 27, 2020, compared to \$129.8 million, or 20.4% of revenue for the same period in the prior year. The decrease in SG&A expense is primarily due to comprehensive actions we put in place beginning in March 2020 to dramatically reduce costs in response to rapidly changing market conditions due to COVID-19. The actions we took reduced SG&A expense by 30.6% for the thirteen weeks ended September 27, 2020, compared to the same period in the prior year. We have taken steps to reduce SG&A expense while preserving the key strengths of our business to ensure we are prepared when business conditions improve. The decrease in SG&A expense benefited from \$4.1 million of employee retention credits made available under the Canada Emergency Wage Subsidy for Canadian employees and the Australian JobKeeper subsidy for Australian employees during the thirteen weeks ended September 27, 2020. We will continue to monitor and manage our SG&A expense in line with our cost reduction plans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Income from operations

Total company income from operations was \$12.7 million for the thirteen weeks ended September 27, 2020, compared to \$29.2 million for the same period in the prior year. The decrease in income from operations was primarily due to the significant drop in client demand associated with government and societal actions taken to address COVID-19. The significant drop in demand, increased price sensitivity, increased contingent worker wages and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. The declines were partially offset by the decisive and comprehensive cuts to SG&A expense in line with management's plans to preserve the key strengths of our business.

### Net income

Net income was \$8.8 million, or \$0.25 per diluted share for the thirteen weeks ended September 27, 2020, compared to \$26.7 million, or \$0.68 per diluted share for the same period in the prior year. Net income includes income tax expense of \$3.7 million resulting from an effective tax rate of 29.9%, compared to 10.1% for the same period in the prior year. Our effective tax rate was lower in the prior year as a result of a greater benefit from the federal Work Opportunity Tax Credit ("WOTC"). WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates.

### Additional highlights

We are focused on capital management as a top priority. In response to the rapidly changing market conditions as a result of COVID-19, we have taken swift action to reduce operating costs and other cash outflows to preserve capital to fund working capital needs. Additionally, on March 16, 2020, we amended our credit agreement which extended the maturity of the revolving credit facility established thereunder ("Revolving Credit Facility") to March 16, 2025. On June 24, 2020, we further amended our revolving credit agreement, which modified terms of our financial covenants as well as certain other provisions. Under the amended credit agreement, we have the option, subject to lender approval, to increase the Revolving Credit Facility to \$450.0 million. As of September 27, 2020, we are in a strong financial position with cash and cash equivalents of \$28.2 million, total debt outstanding of \$1.5 million and \$138.5 million available under the most restrictive covenant of our Revolving Credit Facility at this time for total liquidity of \$167.0 million.

## RESULTS OF OPERATIONS

### Total company results

The global economy and our business have been dramatically affected by the COVID-19 pandemic. We continue to monitor its impact on all aspects of our business. Throughout the pandemic, our business has remained open and we have continued to provide key services to essential businesses. However, the preventative measures and individual precautions taken to help curb the spread of COVID-19 and the resulting negative impact on the economy, continue to have a severe adverse impact on client demand for our services and our business results.

Our first priority, with regard to COVID-19, has been to ensure the safety, health and hygiene of our associates, employees, clients, suppliers and others with whom we partner in our business activities to continue our operations in this unprecedented environment. We implemented comprehensive measures across our businesses to keep our workers and clients healthy and safe, including adherence to guidance from the Centers for Disease Control and Prevention, World Health Organization, Occupational Safety and Health Administration and other key authorities. We formed a specialized task force tracking the most up-to-date developments and safety standards, and created an internal information hub with safety protocols, dashboards, FAQs, and daily reporting by location on the COVID-19 impact. In addition to posting TrueBlue's action plan on our external websites, we are actively sharing information on how companies and workers can protect themselves via ongoing emails, social outreach, webinars and other digital communications. We are fully leveraging our JobStack™ app to help companies and workers connect safely through a digital environment, and are rolling out a new virtual onboarding capability to minimize in-person branch visits. We are also leveraging our Affinix™ technology to enable companies to connect with permanent talent through virtual hiring and sourcing. Working closely with clients to enforce safety standards, we are supporting efforts in providing masks for associates, hand sanitizer, workplace disinfecting, social distancing, and infrared temperature checks. We instruct our workers to stay home if they are not feeling well or have been exposed to COVID-19. Immediate notification and self-quarantine protocols are in place if a staff member, associate or client's employee is exposed to COVID-19, and our Field Safety Specialists closely evaluate any assignments related to clean-up of potentially infectious job sites. To ensure business continuity and support for clients who need workers for essential services, we established a Centralized Branch Support Center and are ready to implement Regional Command Centers as needed to serve as backup for our 600+ branches. Our branches follow strict sanitation and social distancing guidelines. In addition, across the TrueBlue organization, we suspended all

## MANAGEMENT'S DISCUSSION AND ANALYSIS

international travel and restricted nonessential domestic travel for our employees and are providing remote work capabilities for our Tacoma and Chicago support centers as well as other locations.

In response to the rapidly changing market conditions as a result of COVID-19, we have taken steps to reduce SG&A expense and other cash outflows. We continue to monitor this evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. There may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, it is difficult to estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, we do expect that it will continue to have a material adverse impact on our future revenue, overall profitability and liquidity. For additional discussion on the uncertainties and business risks associated with COVID-19, refer to "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

The following table presents selected financial data:

<i>(in thousands, except percentages and per share data)</i>	Thirteen weeks ended				Thirty-nine weeks ended			
	Sep 27, 2020	% of revenue	Sep 29, 2019	% of revenue	Sep 27, 2020	% of revenue	Sep 29, 2019	% of revenue
Revenue from services	\$ 474,530		\$ 636,793		\$ 1,327,726		\$ 1,777,739	
Total revenue growth (decline) %	(25.5)%		(6.4)%		(25.3)%		(3.9)%	
Gross profit	\$ 110,464	23.3 %	\$ 167,735	26.3 %	\$ 319,848	24.1 %	\$ 471,113	26.5 %
Selling, general and administrative expense	90,100	19.0 %	129,800	20.4 %	304,681	22.9 %	383,745	21.6 %
Depreciation and amortization	7,652	1.6 %	8,749	1.4 %	24,002	1.8 %	28,528	1.6 %
Goodwill and intangible asset impairment charge	—		—		175,189		—	
Income (loss) from operations	12,712	2.7 %	29,186	4.6 %	(184,024)	(13.9)%	58,840	3.3 %
Interest and other income (expense), net	(174)		471		(323)		1,851	
Income (loss) before tax expense (benefit)	12,538		29,657		(184,347)		60,691	
Income tax expense (benefit)	3,743		2,981		(34,480)		6,333	
Net income (loss)	\$ 8,795	1.9 %	\$ 26,676	4.2 %	\$ (149,867)	(11.3)%	\$ 54,358	3.1 %
Net income (loss) per diluted share	\$ 0.25		\$ 0.68		\$ (4.20)		\$ 1.38	

We report our business as three reportable segments described below and in Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q.

- PeopleReady** provides access to reliable workers in the United States, Canada and Puerto Rico through a wide range of staffing solutions for on-demand contingent general and skilled labor. PeopleReady connects people to work in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, waste and recycling, energy, retail, hospitality, and others. As of December 29, 2019, we had a network of 614 branches across all 50 states, Canada and Puerto Rico. Complementing our branch network is our mobile application, JobStack, which connects workers with jobs, creates a virtual exchange between our workers and clients, and allows our branch resources to expand their recruiting and sales efforts and service delivery. JobStack is helping to competitively differentiate our services, expand our reach into new demographics, and improve both service delivery and work order fill rates as we lead our business into a digital future.
- PeopleManagement** predominantly provides a wide range of on-site contingent staffing and workforce management solutions to larger multi-site manufacturing, distribution and fulfillment clients. In comparison with PeopleReady, services are larger in scale, longer in duration, and dedicated service teams are located at the client's facility. Effective December 30, 2019 (first day of our 2020 fiscal year), we combined our two on-site contingent industrial workforce operating segments, Staff Management | SMX and SIMOS Insourcing Solutions ("SIMOS") into one operating segment titled "On-Site," which continues to be reported under PeopleManagement. On-Site includes our branded service offerings for hourly (Staff Management | SMX) and productivity-based (SIMOS) industrial staffing solutions serving the same industries and similar clients. PeopleManagement also includes Centerline Drivers ("Centerline"), which specializes in dedicated and contingent commercial truck drivers to the transportation and distribution industries. Despite the recession, year-to-date new client wins exceeded new client wins in the comparable prior-year period primarily due to increased investment in sales. We will continue making investments in sales resources to expand into under-penetrated geographic markets as well as programs to support client and associate care and retention.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **PeopleScout** provides recruitment process outsourcing of end-to-end talent acquisition services from candidate sourcing and engagement through the onboarding of employees as well as employer branding services. Our solution is highly scalable and flexible, which allows for the outsourcing of all or a subset of skill categories across a series of recruitment, hiring and onboarding steps. Our solution delivers improved talent quality and candidate experience, faster hiring, increased scalability, lower cost of recruitment, greater flexibility, and increased compliance. Our clients outsource the recruitment process to PeopleScout in all major industries and jobs. We leverage our proprietary technology platform (Affinix) for sourcing, screening and delivering a permanent workforce, along with dedicated service delivery teams to work as an integrated partner with our clients. Affinix uses artificial intelligence and machine learning to search the web and source candidates, which means we can create the first slate of candidates for a job posting within minutes rather than days.

Our PeopleScout reportable segment also includes a managed service provider business, which provides clients with improved quality and cost management of their contingent labor vendors.

### Revenue from services

Revenue from services by reportable segment was as follows:

(in thousands, except percentages)	Thirteen weeks ended					Thirty-nine weeks ended				
	Sep 27, 2020	Growth (decline) %	Segment % of total	Sep 29, 2019	Segment % of total	Sep 27, 2020	Growth (decline) %	Segment % of total	Sep 29, 2019	Segment % of total
Revenue from services:										
PeopleReady	\$ 293,546	(28.9) %	61.9 %	\$ 413,132	64.9 %	\$ 801,991	(27.7) %	60.4 %	\$ 1,109,261	62.4 %
PeopleManagement	147,241	(7.6)	31.0	159,315	25.0	407,516	(13.5)	30.7	470,889	26.5
PeopleScout	33,743	(47.6)	7.1	64,346	10.1	118,219	(40.2)	8.9	197,589	11.1
Total company	\$ 474,530	(25.5) %	100.0 %	\$ 636,793	100.0 %	\$ 1,327,726	(25.3) %	100.0 %	\$ 1,777,739	100.0 %

The workforce solutions business is dependent on the overall strength of the labor market. Clients tend to use contingent workers to supplement their existing workforce and generally hire permanent workers when long-term demand is expected to increase. As a consequence, our revenue from services tends to increase quickly when the economy begins to grow. Conversely, our revenue decreases quickly when the economy begins to weaken and thus contingent staff positions are eliminated, permanent hiring is frozen and turnover replacement diminishes.

Total company revenue declined 25.5% to \$474.5 million and 25.3% to \$1,327.7 million for the thirteen and thirty-nine weeks ended September 27, 2020, compared to the same periods in the prior years, respectively. The decline was due to a significant drop in client demand associated with government and societal actions taken to address COVID-19. In particular, the outbreak and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of our clients have been severely impacted by COVID-19 and have reduced their need for our staffing services, which has resulted in lower revenue. During the third quarter, we saw improving trends when compared to the second quarter of 2020 with year-over-year revenue declines of 25.5% compared to 39.0% in the second quarter. This improvement in the third quarter was broad-based across most of the industries and geographies we serve.

### PeopleReady

PeopleReady revenue declined to \$293.5 million for the thirteen weeks ended September 27, 2020, a 28.9% decrease compared to the same period in the prior year, and declined to \$802.0 million for the thirty-nine weeks ended September 27, 2020, a 27.7% decrease compared to the same period in the prior year. The decline was due to a significant drop in client demand associated with government and societal actions taken to address the impact of COVID-19. In particular, the outbreak and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. Many of the clients we serve have been severely impacted by COVID-19 and have reduced their need for our staffing services, which has resulted in lower revenue. PeopleReady has experienced a moderate improvement in revenue trends in the third quarter of 2020, compared to the second quarter of 2020 with year-over-year revenue declines in the third quarter of 28.9% compared to 43.4% in the second quarter. The improvement was broad-based across most geographies and industries, driven primarily by the construction, manufacturing, services and transportation industries.

We believe the year-over-year decline was moderated by the use of our industry-leading JobStack mobile application that digitally connects workers with jobs. During the third quarter of 2020, PeopleReady dispatched approximately 726,000 shifts via JobStack and achieved a digital fill rate of 51%. JobStack has approximately 26,100 client users as of the third quarter of

## MANAGEMENT'S DISCUSSION AND ANALYSIS

2020, or an increase of 37% compared to the same period in the prior year. JobStack is helping us safely connect people with work during this time of crisis.

### PeopleManagement

PeopleManagement revenue declined to \$147.2 million for the thirteen weeks ended September 27, 2020, a 7.6% decrease compared to the same period in the prior year, and declined to \$407.5 million for the thirty-nine weeks ended September 27, 2020, a 13.5% decrease compared to the same period in the prior year. Many of the clients we serve have been impacted by COVID-19 and have reduced their need for our staffing services, which has resulted in lower revenue. PeopleManagement has experienced improving revenue trends during the third quarter of 2020, compared to the second quarter of 2020, primarily driven by the fact that PeopleManagement supplies an outsourced workforce that involves multiyear, multi-million dollar on-site or driver relationships. These types of client engagements are often more resilient in an economic downturn. Year-over-year, revenue declined 7.6% in the third quarter of 2020 compared to 22.7% in the second quarter of 2020.

### PeopleScout

PeopleScout revenue declined to \$33.7 million for the thirteen weeks ended September 27, 2020, a 47.6% decrease compared to the same period in the prior year, and declined to \$118.2 million for the thirty-nine weeks ended September 27, 2020, a 40.2% decrease compared to the same period in the prior year. The revenue decline was primarily due to less demand from existing clients resulting from the economic disruption caused by the impact of COVID-19. PeopleScout clients in the travel and leisure industries were especially impacted. These clients, which represented approximately 25% and 30% of the client mix for the thirteen and thirty-nine weeks ended September 29, 2019, respectively, were disproportionately impacted which resulted in a 74% and 63% decrease in revenue, respectively, compared to the same periods in the prior year. The revenue decline also includes the impact of reduced project-based recruiting volumes at a large industrial client, which declined throughout 2019 due to the client's adverse business conditions resulting in no order volume after the third quarter of 2019.

### Gross profit

Gross profit was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Gross profit	\$ 110,464	\$ 167,735	\$ 319,848	\$ 471,113
Percentage of revenue	23.3 %	26.3 %	24.1 %	26.5 %

Gross profit as a percentage of revenue declined to 23.3%, or 300 basis points for the thirteen weeks ended September 27, 2020, compared to 26.3% for the same period in the prior year. Our staffing businesses contributed 230 basis points to the decline due to 180 basis points from pressure on our bill and pay rates and the remainder primarily due to client mix. The bill and pay rate pressure was caused by higher pay rates to entice associates to take work assignments given COVID-19 health concerns and additional federal unemployment benefits. As with prior recessions, our ability to pass through higher costs plus our standard markup in our bill rates was hampered due to a variety of economic factors negatively impacting our clients' businesses. Our PeopleScout business contributed approximately 70 basis points to the decline primarily due to client mix and reduced volumes.

Gross profit as a percentage of revenue declined to 24.1%, or 240 basis points for the thirty-nine weeks ended September 27, 2020, compared to 26.5% for the same period in the prior year.

- Our PeopleScout business contributed approximately 130 basis points to the decline partially due to 30 basis points of severance and the remaining decline from the continued impact of lower volume due to the rapid revenue decline caused by the disruption of COVID-19, which outpaced the reductions to our service delivery team and client mix.
- Our staffing businesses contributed 110 basis points to the decline primarily due to 130 basis points resulting from bill and pay rate pressure caused by higher pay rates to entice associates to take work assignments given COVID-19 health concerns and additional federal unemployment benefits. As with prior recessions, our ability to pass through higher costs plus our standard markup in our bill rates was hampered due to a variety of economic factors negatively impacting our clients' businesses. The decline from our staffing business also includes a decline of 30 basis points due to additional insurance coverage associated with former workers' compensation carriers in liquidation in the prior year. These declines were partially offset by a benefit of 50 basis points from a reduction in estimated costs to comply with the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which were accrued in prior fiscal years. We do not expect the benefit from lower affordable health care costs to reoccur.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We continue to actively manage workers' compensation cost through the safety of our contingent workers with our safety programs, and actively control costs with our network of service providers. We had favorable adjustments to our workers' compensation liabilities of \$5.4 million or 1.1% of revenue for the thirteen weeks ended September 27, 2020, compared to \$7.9 million, or 1.2% of revenue for the same period in the prior year. Continued favorable adjustments to our workers' compensation liabilities are dependent on our ability to continue to lower accident rates and claim costs. For additional discussion regarding our workers' compensation liability, see the "Workers' compensation insurance, collateral and claims reserves" section within Liquidity and Capital Resources.

### Selling, general and administrative expense

SG&A expense was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Selling, general and administrative expense	\$ 90,100	\$ 129,800	\$ 304,681	\$ 383,745
Percentage of revenue	19.0 %	20.4 %	22.9 %	21.6 %

Total company SG&A expense decreased by \$39.7 million, or 30.6% and \$79.1 million, or 20.6% for the thirteen and thirty-nine weeks ended September 27, 2020, compared to the same periods in the prior year, respectively. The decrease in SG&A expense was primarily due to comprehensive actions we put in place in March 2020 to dramatically reduce costs in response to rapidly changing market conditions due to COVID-19. We believe we have taken steps to reduce SG&A expense while preserving the key strengths of our business to ensure we are prepared for the time when business conditions improve. The decrease in SG&A expense included \$4.1 million and \$7.2 million in employee retention credits made available under the Canada Emergency Wage Subsidy for Canadian employees and the Australian JobKeeper subsidy for Australian employees during the thirteen and thirty-nine weeks ended September 27, 2020, respectively. These reductions were partially offset by \$8.9 million in workforce reduction costs recorded in the thirty-nine weeks ended September 27, 2020, compared to \$0.5 million for the same period in the prior year. We will continue to monitor and manage our SG&A expense in line with our cost reduction plans.

### Depreciation and amortization

Depreciation and amortization was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Depreciation and amortization	\$ 7,652	\$ 8,749	\$ 24,002	\$ 28,528
Percentage of revenue	1.6 %	1.4 %	1.8 %	1.6 %

Depreciation and amortization decreased primarily due to the impairment to our acquired client relationships intangible assets of \$34.7 million in the first quarter of 2020 and several intangible assets that were fully amortized in the second half of 2019, which resulted in a decline in amortization expense for the thirteen and thirty-nine weeks ended September 27, 2020.

### Goodwill and intangible asset impairment charge

Goodwill and intangible asset impairment charge were as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Goodwill and intangible asset impairment charge	\$ —	\$ —	\$ 175,189	\$ —

A summary of the goodwill and intangible asset impairment charge by reportable segment is as follows:

<i>(in thousands)</i>	PeopleManagement	PeopleScout	Total company
Goodwill	\$ 45,901	\$ 94,588	\$ 140,489
Client relationships	9,700	25,000	34,700
Total	\$ 55,601	\$ 119,588	\$ 175,189

We experienced a significant decline in our stock price during the first quarter of 2020. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market

## MANAGEMENT'S DISCUSSION AND ANALYSIS

capitalization reflected the expected continued weakness in pricing and demand for our services in an uncertain economic climate that was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. Most industries we serve were impacted by a significant decrease in demand for their products and services and, as a result, we experienced a significant drop in client demand associated with government and societal actions taken to address COVID-19. We experienced significant decreases to our revenues and corresponding operating results due to weakness in pricing and demand for our services during the severe economic downturn. While demand is expected to recover in the future, the rate of recovery will vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections decline to a contained level.

As a result of our interim impairment test in the first quarter of 2020, we concluded that the carrying amounts of goodwill for PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of \$140.5 million. The total goodwill carrying value of \$45.9 million for PeopleManagement On-Site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was \$92.2 million and \$2.4 million, respectively. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were \$22.9 million and \$9.7 million, respectively, as of September 27, 2020.

With the decrease in demand for our services due to the economic impact caused by COVID-19, we lowered our future expectations, which was the primary trigger of an impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of \$34.7 million in the first quarter of 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-Site reporting units was \$25.0 million and \$9.7 million, respectively. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleManagement On-Site were \$5.5 million and \$7.6 million, respectively, as of September 27, 2020.

### Income taxes

The income tax expense and the effective income tax rate were as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Income tax expense (benefit)	\$ 3,743	\$ 2,981	\$ (34,480)	\$ 6,333
Effective income tax rate	29.9 %	10.1 %	18.7 %	10.4 %

Our tax provision and our effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized.

Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income and loss. For example, the impact of discrete items, tax credits and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The items accounting for the difference between income taxes computed at the statutory federal income tax rate and income taxes reported on the Consolidated Statements of Operations and Comprehensive Income (Loss) are as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended				Thirty-nine weeks ended			
	Sep 27, 2020	%	Sep 29, 2019	%	Sep 27, 2020	%	Sep 29, 2019	%
Income (loss) before tax expense (benefit)	\$ 12,538		\$ 29,657		\$ (184,347)		\$ 60,691	
Federal income tax expense (benefit) at statutory rate	\$ 2,633	21.0%	\$ 6,230	21.0%	\$ (38,713)	21.0%	\$ 12,747	21.0%
Increase (decrease) resulting from:								
State income taxes, net of federal benefit	631	5.0	1,428	4.8	(9,321)	5.1	2,922	4.8
Goodwill and intangible asset impairment impact	—	—	—	—	21,849	(11.9)	—	—
CARES Act impact	657	5.2	—	—	(5,041)	2.7	—	—
Hiring credits, net	(866)	(6.9)	(4,792)	(16.2)	(4,848)	2.6	(10,298)	(17.0)
Other non-deductible/non-taxable items	688	5.6	115	0.5	1,594	(0.8)	962	1.6
Income tax expense (benefit)	\$ 3,743	29.9%	\$ 2,981	10.1%	\$ (34,480)	18.7%	\$ 6,333	10.4%

Significant fluctuations in our effective rate are primarily due to the non-deductible goodwill and intangible asset impairment charge, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the WOTC hiring credits. Other differences between the statutory federal income tax rate result from state and foreign income taxes and certain other non-deductible and non-taxable items.

The non-cash impairment loss of \$175.2 million, recorded in the first quarter of 2020, includes \$84.7 million (tax effected \$21.8 million) related to reporting units from stock acquisitions and accordingly are not deductible for tax purposes. The remaining impairment loss of \$90.5 million (tax effected \$23.3 million) related to reporting units from asset acquisitions and accordingly are deductible for tax purposes.

On March 27, 2020, the CARES Act was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of COVID-19. Among other things, the CARES Act provides certain changes to tax laws, including the ability to carry back current year losses to obtain refunds related to prior year tax returns with a higher federal tax rate of 35%. The net operating loss carry back benefit will vary depending on estimated results for the current fiscal year.

WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. WOTC is generally calculated as a percentage of wages over a twelve-month period up to worker maximums by targeted groups. Based on historical results and business trends, we estimate the amount of WOTC we expect to earn related to wages of the current year. However, the estimate is subject to variation because 1) a small percentage of our workers qualify for one or more of the many targeted groups; 2) the targeted groups are subject to different incentive credit rates and limitations; 3) credits fluctuate depending on economic conditions and qualified worker retention periods; and 4) state and federal offices can delay their credit certification processing and have inconsistent certification rates. We recognize additional prior year hiring credits if credits in excess of original estimates have been certified by government offices. WOTC is due to expire at the end of 2020.

### Segment performance

We evaluate performance based on segment revenue and segment profit. Segment profit includes revenue, related cost of services, and ongoing operating expenses directly attributable to the reportable segment. Segment profit excludes goodwill and intangible impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest, other income and expense, income taxes, and other adjustments not considered to be ongoing. See Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our reportable segments, as well as a reconciliation of segment profit to income (loss) before tax expense (benefit).

Segment profit should not be considered a measure of financial performance in isolation or as an alternative to net income (loss) in the Consolidated Statements of Operations and Comprehensive Income (Loss) in accordance with accounting principles generally accepted in the United States of America, and may not be comparable to similarly titled measures of other companies.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*PeopleReady* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Revenue from services	\$ 293,546	\$ 413,132	\$ 801,991	\$ 1,109,261
Segment profit	18,714	30,878	27,002	64,143
Percentage of revenue	6.4 %	7.5 %	3.4 %	5.8 %

PeopleReady segment profit declined \$12.2 million and \$37.1 million for the thirteen and thirty-nine weeks ended September 27, 2020, compared to the same periods in the prior year, respectively. PeopleReady experienced a segment profit decline primarily due to the significant drop in client demand associated with government and societal actions taken to address COVID-19. The significant drop in demand, as well as increased price sensitivity, increased contingent worker wages and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our operations and business results. The declines were partially offset by the decisive and comprehensive cuts to SG&A expense in line with management's plans to preserve the key strengths of our business.

We believe these declines were also partially offset by the strategic use of our industry-leading JobStack mobile application that digitally connects workers with jobs. JobStack is helping us safely connect people with work during this time of crisis.

*PeopleManagement* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Revenue from services	\$ 147,241	\$ 159,315	\$ 407,516	\$ 470,889
Segment profit	4,574	3,381	6,063	9,815
Percentage of revenue	3.1 %	2.1 %	1.5 %	2.1 %

PeopleManagement segment profit grew \$1.2 million for the thirteen weeks ended September 27, 2020, compared to the same period in the prior year. The growth was primarily due to cost reductions outpacing revenue declines primarily due to less demand from existing clients resulting from economic disruption caused by COVID-19.

PeopleManagement segment profit declined \$3.8 million for the thirty-nine weeks ended September 27, 2020, compared to the same period in the prior year. The decline was primarily due to a significant drop in demand from our clients associated with government and societal actions taken to address COVID-19. The drop in demand, as well as increased price sensitivity, higher pay rates necessary to attract employees given the availability of federal unemployment benefits, and preventive measures taken to help curb the spread of COVID-19 had severe adverse impacts on our segment profit and our segment profit as a percent of revenue. The decline in revenue was partially offset by the decisive and comprehensive cuts to SG&A expense in line with management's plans to preserve the key strengths of our business.

*PeopleScout* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Revenue from services	\$ 33,743	\$ 64,346	\$ 118,219	\$ 197,589
Segment profit	349	10,774	75	32,424
Percentage of revenue	1.0 %	16.7 %	0.1 %	16.4 %

PeopleScout segment profit declined \$10.4 million and \$32.3 million for the thirteen and thirty-nine weeks ended September 27, 2020, compared to the same periods in the prior year, respectively. The decline in segment profit was primarily due to a decline in demand. The decline in demand was primarily due to less demand from existing clients resulting from the economic disruption caused by COVID-19. PeopleScout clients in the travel and leisure industries were especially impacted. These clients, which represented approximately 25% and 30% of the client mix for the thirteen and thirty-nine weeks ended September 29, 2019, respectively, were adversely impacted which resulted in a 74% and 63% decrease in revenue, respectively, compared to the same periods in the prior year. Due to the decline in revenue, we took actions to reduce the cost of our service delivery which lagged the rapid revenue decline caused by the disruption of COVID-19 and negatively impacted our segment profit and our segment profit as a percent of revenue. The decline in revenue was partially offset by our cost reduction programs, which have reduced our SG&A expense in line with our plans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FUTURE OUTLOOK

The global economy and our business have been dramatically affected by COVID-19. To date, COVID-19 has surfaced all around the world and resulted in country-level quarantines, global travel restrictions and broad-based economic slowdowns. There are no reliable estimates of how long the pandemic will last or how many people will be affected by it. For that reason, it is difficult to predict the short- and long-term impacts of the pandemic on our business at this time. Due to the uncertainty surrounding COVID-19 and its impact on the business environment, we have limited visibility into our financial condition, results of operations or cash flows in the future. However, we are providing the following future outlook for the fourth quarter.

#### *Operating outlook*

- We anticipate gross margin to decline between 250 to 190 basis points in the fourth quarter of 2020 and 270 to 210 basis points for fiscal 2020, compared to the same periods in the prior year. This improvement from a decline of 300 basis points in the third quarter of 2020, compared to the same period in the prior year, is primarily due to improving volume and client mix. The improvement is expected to be driven by the anniversary in the third quarter of the loss of a highly profitable PeopleScout industrial client, which declined throughout 2019 with no order volume in the fourth quarter of 2019, and less recruiting staff in our PeopleScout business given current revenue volume.
- We have taken steps to reduce our operating cost structure and other cash outflows to preserve capital to fund working capital needs. These actions will have the effect of reducing our operating expenses by \$23 million to \$27 million in the fourth quarter of 2020 and \$102 million to \$106 million for fiscal 2020, compared to the same periods in the prior year, while preserving the key strengths of our business to ensure we are prepared when business conditions improve. As the demand environment begins to improve, we will begin to slowly and thoughtfully bring back some spending that will be critical for the long-term health and sustainability of our business.

#### *Liquidity outlook*

- Capital expenditures for the fourth quarter of 2020 will be approximately \$11 million. This includes \$4 million of build out costs planned for our Chicago headquarters that will be reimbursed by our landlord. We remain committed to technological innovation to transform our business for a digital future. We continue to make investments in online and mobile applications to improve access to workers and candidates, as well as improve the speed and ease of connecting our clients and workers for our staffing businesses, and candidates for our recruitment process outsourcing business. We expect these investments will increase the competitive differentiation of our services over the long-term, improve the efficiency of our service delivery, and reduce PeopleReady's dependence on local branches to find contingent workers and connect them with work. Examples include our JobStack mobile application in our PeopleReady business and our Affinix talent acquisition technology in our PeopleScout business.
- We expect our Revolving Credit Facility and strong financial position to provide ample liquidity. At September 27, 2020, \$1.5 million was drawn on the Revolving Credit Facility leaving \$292.4 million unused under the Revolving Credit Facility, which is constrained by our most restrictive covenant at this time making \$138.5 million available for additional borrowings. We have an option to increase the total line of credit amount to \$450.0 million, subject to bank approval. As of September 27, 2020, we had cash and cash equivalents of \$28.2 million and total debt of \$1.5 million due to strong capital management practices.
- We had a significant reduction in our accounts receivable balance of \$55.4 million for the thirty-nine weeks ended September 29, 2019 due to lower revenue caused from a decline in demand for our services from COVID-19. This has been a substantial source of cash in 2020, but will become a cash use as revenue recovers in future periods and we fund increasing accounts receivable.
- Under the CARES Act, we are allowed to delay payments for the employer portion of social security taxes (6.2% of taxable wages) incurred during March 27, 2020 to December 31, 2020, for both our temporary associates and permanent employees. Half of the deferred amount is due by December 31, 2021, and the remaining amount by December 31, 2022. As of September 27, 2020, we deferred \$36.3 million of our employer portion of social security taxes. We expect to defer \$18 million to \$20 million of employer payroll taxes in the fourth quarter of 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### LIQUIDITY AND CAPITAL RESOURCES

#### LIQUIDITY

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019
Net income (loss)	\$ (149,867)	\$ 54,358
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	24,002	28,528
Goodwill and intangible asset impairment charge	175,189	—
Provision for doubtful accounts	6,582	5,997
Non-cash lease expense, net of changes in operating lease liabilities	(295)	(210)
Stock-based compensation	6,762	8,119
Deferred income taxes	(25,955)	1,058
Other operating activities	1,944	(1,701)
Changes in operating assets and liabilities:		
Accounts receivable	55,408	(17,616)
Accounts payable and other accrued expenses	(12,723)	(6,970)
Accrued wages and benefits	(7,395)	(141)
Income tax receivable	(4,928)	(3,982)
Other assets	(2,646)	(9,449)
Workers' compensation claims reserve	(824)	(7,176)
Deferred employer payroll taxes	36,312	—
Other liabilities	(2,798)	1,723
Net cash provided by operating activities	\$ 98,768	\$ 52,538

#### Cash flows from operating activities

Net cash provided by operating activities increased to \$98.8 million for the thirty-nine weeks ended September 27, 2020, compared to \$52.5 million for the same period in the prior year.

Changes to adjustments to reconcile net loss to net cash provided by operating activities for the thirty-nine weeks ended September 27, 2020 were primarily due to:

- Depreciation and amortization decreased primarily due to the impairment to our acquired client relationships intangible assets for our PeopleScout RPO and PeopleManagement On-Site reporting units of \$34.7 million in the first quarter of 2020, and several intangible assets that were fully amortized in the second half of 2019.
- Net loss for the thirty-nine weeks ended September 27, 2020 includes a non-cash goodwill and intangible asset impairment charge of \$175.2 million (\$151.9 million after tax). The charge was a result of the adverse impact on expected future cash flows related to the current state of the economy and the impact of COVID-19. The charge does not impact the company's current cash, liquidity, or banking covenants.
- The provision for doubtful accounts increased primarily due to specific reserves for clients significantly impacted by the COVID-19 pandemic. Bad debt expense as a percent of revenue increased to 0.5% for the thirty-nine weeks ended September 27, 2020, from 0.3% for the same period in the prior year.
- Deferred tax assets increased primarily due to \$23.3 million of discrete tax benefit resulting from goodwill and intangible asset impairments. Impairment losses related to goodwill and intangible assets acquired in an asset acquisition are deductible for tax purposes.
- Other operating activities increased primarily due to \$0.3 million in unrealized losses on deferred compensation assets due to overall declines in global equity investments for the thirty-nine weeks ended September 27, 2020, as compared to a \$3.1 million gain for the same period in the prior year as equity markets strengthened.

Changes to operating assets and liabilities for the thirty-nine weeks ended September 27, 2020 were primarily due to:

- Cash provided by accounts receivable of \$55.4 million was due to lower revenue from a decline in demand for our services and a seasonal revenue decline from the fourth quarter of 2019, resulting in a significant decrease in accounts

## MANAGEMENT'S DISCUSSION AND ANALYSIS

receivable. This decrease was partially offset by an increase in our days sales outstanding by 1.0 day during the thirty-nine weeks ended September 27, 2020, caused by a mix of clients with longer payment terms and payment delays from certain clients that have been negatively impacted by COVID-19.

- Cash used for accounts payable and accrued expenses of \$12.7 million was primarily due to cost control programs, decline in customer rebates, seasonal patterns and timing of payments. The cost control programs were implemented in response to the economic impact of COVID-19. Customer rebate accruals have declined significantly due to clients not meeting rebate volume thresholds as a result of the impact COVID-19 has had on their businesses. The decline was also due to seasonal patterns, as our business experiences seasonal fluctuations for contingent staffing services.
- Cash used for accrued wages and benefits of \$7.4 million was primarily due to our actions to reduce our operating cost structure by initiating salary and selected benefit cuts in April 2020 in response to the economic impact of COVID-19.
- Generally, our workers' compensation claims reserve for estimated claims decreases as contingent labor services decline, as is the case in the current and prior year. Our worker safety programs have had a positive impact and have created favorable adjustments to our workers' compensation liabilities recorded in each period. Continued favorable adjustments to our workers' compensation liabilities are dependent on our ability to continue to lower accident rates and claim costs.
- Deferred employer payroll taxes represent employer payroll tax payments that were deferred as of September 27, 2020, as allowed under the CARES Act. The CARES Act allows employers to defer the payment of the employer share of Social Security tax that would otherwise be due on or after March 27, 2020, and before January 1, 2021. Half of the deferred amount is due by December 31, 2021, and the remaining amount by December 31, 2022.

### Cash flows from investing activities

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019
Capital expenditures	\$ (16,244)	\$ (18,297)
Purchases and sales of restricted investments	(7,235)	6,379
Net cash used in investing activities	\$ (23,479)	\$ (11,703)

Net cash used in investing activities was \$23.5 million for the thirty-nine weeks ended September 27, 2020, compared to \$11.7 million for the same period in the prior year.

Capital expenditures are primarily due to our increased investment in software technology. We remain committed to technological innovation to transform our business for a digital future that makes it easier for our clients to do business with us and easier to connect people to work. We continue making investments in online and mobile applications to improve access to workers and candidates, as well as improve the speed and ease of connecting our clients and workers for our staffing businesses, and candidates for our recruitment process outsourcing business. We expect these investments will increase the competitive differentiation of our services over the long-term, improve the efficiency of our service delivery, and reduce PeopleReady's dependence on local branches to find contingent workers and connect them with work. Examples include our JobStack mobile application in our PeopleReady business and our Affinix talent acquisition technology in our PeopleScout business.

Restricted investments consist of collateral that has been provided or pledged to insurance carriers and state workers' compensation programs, as well as collateral to support the deferred compensation plan. Lower collateral requirements from our workers' compensation insurance providers were more than offset by an acceleration of collateral funding for the thirty-nine weeks ended September 27, 2020.

### Cash flows from financing activities

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 27, 2020	Sep 29, 2019
Purchases and retirement of common stock	\$ (52,346)	\$ (31,316)
Net proceeds from employee stock purchase plans	734	1,023
Common stock repurchases for taxes upon vesting of restricted stock	(2,331)	(1,934)
Net change in revolving credit facility	(35,600)	(36,200)
Other	(1,436)	(203)
Net cash used in financing activities	\$ (90,979)	\$ (68,630)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net cash used in financing activities was \$91.0 million for the thirty-nine weeks ended September 27, 2020, compared to \$68.6 million for the same period in the prior year.

During the thirty-nine weeks ended September 27, 2020, we repurchased \$40.0 million of our common stock under an accelerated share repurchase program and \$12.4 million of our common stock in the open market, including commissions, for a total of \$52.4 million of common stock. These transactions were initiated prior to the medical community's acknowledgment of the expected severity of the impact COVID-19 would have on the United States. As of September 27, 2020, \$66.7 million remains available for repurchase of common stock under existing authorizations. The second amendment to our credit agreement prohibits us from repurchasing shares until July 1, 2021. See Note 8: *Shareholders' Equity*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our share repurchase program.

### CAPITAL RESOURCES

#### *Revolving credit facility*

On March 16, 2020, we entered into a first amendment to our credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A. dated as of July 13, 2018, which extended the maturity of the revolving credit facility established thereunder (the "Revolving Credit Facility") to March 16, 2025 and modified certain other terms. On June 24, 2020, we entered into a second amendment to our credit agreement (the "Second Amendment"), which modified terms of our financial covenants as well as certain other provisions of the Revolving Credit Facility. Subject to lender approval, we have the ability to increase our Revolving Credit Facility up to \$450.0 million.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The amended credit agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including, among others, financial covenants.

The following financial covenants, as defined in the Second Amendment, are currently in effect through the second quarter of 2021:

- Asset Coverage Ratio of greater than 1.00, defined as the ratio of 60% of accounts receivable to the difference of total debt outstanding and unrestricted cash in excess of \$50 million. As of September 27, 2020, our asset coverage ratio was 22.1.
- Liquidity greater than \$150 million, defined as the sum of unrestricted cash and availability under the aggregate revolving commitments. As of September 27, 2020, our liquidity was \$320.6 million.

The following financial covenant, as defined in the Second Amendment, will be in effect for the first and second quarter of 2021:

- EBITDA, as defined in the amended credit agreement, greater than \$12 million for the trailing three quarters ending Q1 2021 and greater than \$15 million for the trailing four quarters ending Q2 2021. As of September 27, 2020, EBITDA for the trailing three and four quarters was \$24.8 million and \$46.1 million, respectively.

The following financial covenants, as defined in the Second Amendment, will be in effect starting the third quarter of 2021 and thereafter:

- Consolidated leverage ratio greater than 4.00 for the third and fourth quarters of 2021 and greater than 3.00 thereafter, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement.
- Consolidated fixed charge coverage ratio greater than 1.25, defined as the trailing twelve months bank-adjusted cash flow divided by cash interest expense.

See Note 6: *Long-Term Debt*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our Revolving Credit Facility.

#### *Restricted cash and investments*

Restricted cash and investments consist principally of collateral that has been provided or pledged to insurance carriers for workers' compensation and state workers' compensation programs. Our insurance carriers and certain state workers'

## MANAGEMENT'S DISCUSSION AND ANALYSIS

compensation programs require us to collateralize a portion of our workers' compensation obligation. We have agreements with certain financial institutions that allow us to restrict cash and cash equivalents and investments for the purpose of providing collateral instruments to our insurance carriers to satisfy workers' compensation claims. At September 27, 2020, we had restricted cash and investments totaling \$229.8 million. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust"). See Note 3: *Restricted Cash and Investments*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for details on our restricted cash and investments.

We established investment policy directives for the Trust with the first priority to preserve capital, second to ensure sufficient liquidity to pay workers' compensation claims, third to diversify the investment portfolio, and fourth to maximize after-tax returns. Trust investments must meet minimum acceptable quality standards. The primary investments include U.S. Treasury securities, U.S. agency debentures, U.S. agency mortgages, corporate securities and municipal securities. For those investments rated by nationally recognized statistical rating organizations the minimum ratings at time of purchase are:

	S&P	Moody's	Fitch
Short-term rating	A-1/SP-1	P-1/MIG-1	F-1
Long-term rating	A	A2	A

### Workers' compensation insurance, collateral and claims reserves

#### *Workers' compensation insurance*

We provide workers' compensation insurance for our contingent and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a \$2.0 million deductible limit, on a "per occurrence" basis and, accordingly, we are substantially self-insured.

For workers' compensation claims originating in Washington, North Dakota, Ohio, Wyoming, Canada and Puerto Rico (our "monopolistic jurisdictions"), we pay workers' compensation insurance premiums and obtain full coverage under government-administered programs (with the exception of PeopleReady in Ohio where we have a self-insured policy). Accordingly, because we are not the primary obligor, our financial statements do not reflect the liability for workers' compensation claims in these monopolistic jurisdictions.

#### *Workers' compensation collateral*

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. On a regular basis, these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. Such amounts can increase or decrease independent of our assessments and reserves. We generally anticipate that our collateral commitments will continue to grow as we grow our business. We pay our premiums and deposit our collateral in installments. The majority of the restricted cash and investments collateralizing our self-insured workers' compensation policies are held in the Trust.

Our total collateral commitments were made up of the following components for the fiscal period end dates presented:

<i>(in thousands)</i>	Sep 27, 2020	Dec 29, 2019
Cash collateral held by workers' compensation insurance carriers	\$ 22,076	\$ 22,256
Cash and cash equivalents held in Trust	18,543	23,681
Investments held in Trust	156,030	149,373
Letters of credit (1)	6,109	6,202
Surety bonds (2)	20,616	20,731
Total collateral commitments	\$ 223,374	\$ 222,243

(1) We have agreements with certain financial institutions to issue letters of credit as collateral.

(2) Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which is determined by each independent surety carrier. These fees do not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days' notice.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Workers' compensation reserve

The following table provides a reconciliation of our collateral commitments to our workers' compensation reserve as of the fiscal period end dates presented:

<i>(in thousands)</i>	Sep 27, 2020	Dec 29, 2019
Total workers' compensation reserve	\$ 254,794	\$ 255,618
Add back discount on workers' compensation reserve (1)	17,673	19,316
Less excess claims reserve (2)	(53,053)	(45,253)
Reimbursable payments to insurance provider (3)	3,581	8,121
Other (4)	379	(15,559)
Total collateral commitments	\$ 223,374	\$ 222,243

- (1) Our workers' compensation reserves are discounted to their estimated net present value while our collateral commitments are based on the gross, undiscounted reserve.
- (2) Excess claims reserve includes the estimated obligation for claims above our deductible limits. These are the responsibility of the insurance carriers against which there are no collateral requirements.
- (3) This amount is included in restricted cash and represents a timing difference between claim payments made by our insurance carrier and the reimbursement from cash held in the Trust. When claims are paid by our carrier, the amount is removed from the workers' compensation reserve but not removed from collateral until reimbursed to the carrier.
- (4) Represents the difference between the self-insured reserves and collateral commitments.

Our workers' compensation reserve is established using estimates of the future cost of claims and related expenses, which are discounted to their estimated net present value. We discount our workers' compensation liability as we believe the estimated future cash outflows are readily determinable.

Our workers' compensation reserve for deductible and self-insured claims is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported. Reserves are estimated for claims incurred in the current year, as well as claims incurred during prior years.

Management evaluates the adequacy of the workers' compensation reserves in conjunction with an independent quarterly actuarial assessment. Factors considered in establishing and adjusting these reserves include, among other things:

- changes in medical and time loss ("indemnity") costs;
- changes in mix between medical only and indemnity claims;
- regulatory and legislative developments impacting benefits and settlement requirements;
- type and location of work performed;
- the impact of safety initiatives; and
- positive or adverse development of claims.

Our workers' compensation claims reserves are discounted to their estimated net present value using discount rates based on returns of "risk-free" U.S. Treasury instruments with maturities comparable to the weighted average lives of our workers' compensation claims. At September 27, 2020, the weighted average discount rate was 1.8%. The claim payments are made over an estimated weighted average period of approximately 5 years.

Our workers' compensation reserves include estimated expenses related to claims above our self-insured limits ("excess claims"), and a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. At September 27, 2020, the weighted average rate was 1.5%. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 16 years. The discounted workers' compensation reserve for excess claims was \$53.1 million and \$45.3 million, and the corresponding gross receivable for the insurance on excess claims was \$52.1 million and \$45.3 million as of September 27, 2020 and December 29, 2019, respectively.

We continue to actively manage workers' compensation cost through the safety of our contingent workers with our safety programs, and actively control costs with our network of service providers. These actions have had a positive impact creating favorable adjustments to workers' compensation liabilities recorded in the current and prior periods. Continued favorable adjustments to our workers' compensation liabilities are dependent on our ability to continue to aggressively lower accident rates and costs of our claims. We expect diminishing favorable adjustments to our workers' compensation liabilities as the opportunity for significant reduction to frequency and severity of accident rates diminishes.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Future outlook

We are focused on capital preservation as a top priority. In response to the rapidly changing market conditions due to COVID-19, we have reduced operating costs and other cash outflows to preserve capital to fund working capital needs. Our Revolving Credit Facility provides for a revolving line of credit of up to \$300.0 million with an option, subject to lender approval, to increase the amount to \$450.0 million. On March 16, 2020, we extended the maturity of the Revolving Credit Facility to March 16, 2025. Although we were in compliance with our covenants, we felt it was prudent to negotiate more favorable covenants given the level of economic uncertainty. On June 24, 2020, we further amended our revolving credit agreement, which included modifications to our financial covenants. As of September 27, 2020, we are in a strong financial position with cash and cash equivalents of \$28.2 million, total debt outstanding of \$1.5 million and \$138.5 million available under the most restrictive covenant of our Revolving Credit Facility at this time for total liquidity of \$166.7 million. As our revenue growth continues, our outstanding debt will increase to fund the related growth in accounts receivables.

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. We continue to have risk that these collateral requirements may be increased by our insurers due to our loss history and market dynamics, including from the impact of COVID-19.

Under the CARES Act, we are allowed to delay payments for the employer portion of social security taxes (6.2% of taxable wages) incurred during March 27, 2020 to December 31, 2020, for both our temporary associates and permanent employees. As of September 27, 2020, we deferred \$36.3 million of our employer portion of social security taxes. We expect to defer \$18 million to \$20 million of employer payroll taxes in the fourth quarter of 2020.

In February 2020, as part of the existing share repurchase plan, we entered into an accelerated share repurchase agreement with a third-party financial institution to repurchase \$40.0 million of our common stock, and we also repurchased \$12.4 million, including commissions, in the open market. These transactions were initiated prior to the medical community's acknowledgment of the expected severity of the impact COVID-19 would have on the United States. We did not initiate any repurchases of our common stock during the thirteen weeks ended September 27, 2020. As of September 27, 2020, \$66.7 million remains available for repurchase of common stock under existing authorizations. We have historically returned capital to shareholders through stock repurchases. We anticipate repurchasing additional shares when economic conditions improve. However, the second amendment to our credit agreement prohibits us from repurchasing shares until July 1, 2021.

We believe that cash provided from operations and our capital resources will be adequate to meet our cash requirements for the next 12 months. If the business interruptions caused by COVID-19 last longer than we expect, we may need to seek other sources of liquidity by accessing the capital markets to raise additional debt or equity.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes during the period covered by this Quarterly Report on Form 10-Q, outside of the ordinary course of business, to the contractual obligations specified in the table of contractual obligations found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 29, 2019.

### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates are consistent with those discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations; Summary of Critical Accounting Estimates" in our Annual Report on Form 10-K for the fiscal year ended December 29, 2019, other than the adoption of the current expected credit loss model for accounts receivable as discussed in Note 1: *Summary of Significant Accounting Policies*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, as well as the following updates as of September 27, 2020.

#### Considerations related to COVID-19

We have considered COVID-19 related impacts to our estimates, as appropriate, within our financial statements and there may be changes to those estimates in future periods. However, we believe that the accounting estimates used are appropriate after considering the increased uncertainties surrounding the severity and duration of COVID-19. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual future amounts differing from reported estimated amounts.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Goodwill and indefinite-lived intangible assets

We evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis as of the first day of our fiscal second quarter, and whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, client engagement, or sale or disposition of a significant portion of a reporting unit. We monitor the existence of potential impairment indicators throughout the fiscal year.

#### Goodwill

We test for goodwill impairment at the reporting unit level. We consider our operating segments to be our reporting units for goodwill impairment testing. As of September 27, 2020, our operating segments were PeopleReady, PeopleManagement Centerline, PeopleManagement On-Site, PeopleScout RPO, and PeopleScout MSP.

#### Interim impairment test

During the first quarter of 2020, we experienced a significant decline in our stock price. As a result of the decline in stock price, our market capitalization fell significantly below the recorded value of our consolidated net assets. The reduced market capitalization reflected the expected continued weakness in pricing and demand for our staffing services in a volatile economic climate. This was further impacted in March 2020 by COVID-19, which created a sudden global economic shock. We experienced a significant drop in client demand associated with government and societal actions taken to address COVID-19. We expected significant decreases to our revenues and corresponding operating results to continue due to weakness in pricing and demand for our services during this severe economic downturn. While demand was expected to recover in the future, the rate of recovery was expected to vary by geography and industry depending on the economic impact caused by COVID-19 and the rate at which infections would decline to a contained level. Accordingly, we performed an interim impairment test of our goodwill.

The interim impairment test involved comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit. If the fair value exceeds the carrying value, we conclude that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value of the goodwill. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions to evaluate the impact of operating and macroeconomic changes on each reporting unit. The fair value of each reporting unit was estimated using a combination of a discounted cash flow methodology and the market valuation approach using publicly traded company multiples in similar businesses. This analysis required significant judgments, including estimation of future cash flows, which was dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows would occur, and determination of our weighted average cost of capital, which was risk-adjusted to reflect the specific risk profile of the reporting unit being tested. The weighted average cost of capital used in our interim impairment test ranged from 11.5% to 12.0%. Our control premium was approximately 12%, which management has determined to be reasonable.

We carefully considered the economic impact of COVID-19, together with the estimated decreases to our revenues and corresponding operating results as we continued to experience weakness in pricing and demand for our services during the economic downturn. Our estimates were based on our experience with prior recessions, as well as our experience with plans and actions to adjust and adapt to recessions. We base fair value estimates on assumptions we believe to be reasonable but that are difficult to predict. Given the uncertain nature of the economic impact of COVID-19, and the recovery pattern of the broader economy and its impact on our business, actual results could differ significantly from our estimates.

As a result of our Q1 2020 interim impairment test, we concluded that the carrying amounts of goodwill for our PeopleScout RPO, PeopleScout MSP and PeopleManagement On-Site reporting units exceeded their implied fair values and we recorded a non-cash impairment loss of \$140.5 million, which was included in goodwill and intangible asset impairment charge on the Consolidated Statements of Operations and Comprehensive Income (Loss). The goodwill carrying value of \$45.9 million for our PeopleManagement On-Site reporting unit was fully impaired. The goodwill impairment charge for PeopleScout RPO and PeopleScout MSP was \$92.2 million and \$2.4 million, respectively. Based on our interim goodwill impairment test, the fair values of our PeopleReady and PeopleManagement Centerline reporting units were in excess of their carrying value by approximately 60% and 195%, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Annual impairment test*

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual goodwill impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it was more likely than not that the fair value of any of our reporting units is less than the carrying value. We considered the current and expected future economic and market conditions surrounding COVID-19 and concluded that it was not more likely than not that the goodwill associated with our reporting units were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020. The remaining goodwill balances for PeopleScout RPO and PeopleScout MSP were \$22.9 million and \$9.7 million, respectively, as of September 27, 2020. The loss of a key client, a significant further decline to the economy, or a delayed recovery in key industries we serve, including travel and leisure, could give rise to an additional impairment. Should any one of these events occur, we will need to record an impairment loss to goodwill for the amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the total amount of goodwill. We will continue to closely monitor the operational performance of these reporting units as it relates to goodwill impairment.

### *Indefinite-lived intangible assets*

We have indefinite-lived intangible assets related to our Staff Management and PeopleScout trade names. We test our trade names annually for impairment, and when indicators of potential impairment exist. We utilize the relief from royalty method to determine the fair value of each of our trade names. If the carrying value exceeds the fair value, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying value. Management uses considerable judgment to determine key assumptions, including projected revenue, royalty rates and appropriate discount rates.

### *Interim impairment test*

We performed an interim impairment test as of the last day of our first fiscal quarter for 2020 and determined that the estimated fair values exceeded the carrying amounts for our indefinite-lived trade names. Accordingly, no impairment loss was recognized.

### *Annual impairment test*

Given the proximity of our interim impairment measurement date (last day of our fiscal first quarter - March 29, 2020) to our annual indefinite-lived trade names impairment measurement date (first day of our fiscal second quarter - March 30, 2020), we performed a qualitative assessment to determine whether it was more likely than not that the fair value of any of our indefinite-lived trade names is less than the carrying value. We concluded that it was not more likely than not that the indefinite-lived intangible assets associated with our Staff Management and PeopleScout trade names were impaired as of the first day of our fiscal second quarter. Therefore, a quantitative assessment was not performed as of March 30, 2020.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020.

### *Finite-lived intangible assets and other long-lived assets*

We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results, or significant changes in business strategies. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate.

An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on discounted cash flow analysis or other valuation techniques.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Interim impairment test*

With the estimated decrease in demand for our services due to the economic impact of COVID-19, we lowered our future expectations, which was the primary trigger of an impairment test as of the last day of our fiscal first quarter for certain of our acquired client relationships intangible assets. As a result of this impairment test, we recorded a non-cash impairment loss for our PeopleScout RPO and PeopleManagement On-Site client relationship intangible assets of \$34.7 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 27, 2020. The impairment charge for PeopleScout RPO and PeopleManagement On-Site client relationship intangible assets was \$25.0 million and \$9.7 million, respectively. Considerable management judgment was necessary to determine key assumptions, including estimated revenue of acquired clients and an appropriate discount rate of 12.0%.

Additionally, we did not identify any events or conditions that make it more likely than not that an impairment may have occurred during the period from March 30, 2020 to September 27, 2020. The remaining client relationship intangible asset balances related to assets impaired for PeopleScout RPO and PeopleManagement On-Site were \$5.5 million and \$7.6 million, respectively, as of September 27, 2020. Should actual results decline further or longer than we have currently estimated, the remaining intangible asset balances may become further impaired. We will continue to closely monitor the revenue generated from acquired clients as it relates to client relationship asset impairment.

### NEW ACCOUNTING STANDARDS

See Note 1: *Summary of Significant Accounting Policies*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our quantitative and qualitative disclosures about market risk are discussed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 29, 2019.

## Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal third quarter of 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures at a reasonable assurance level, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level, as of September 27, 2020.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The certifications required by Rule 13a-14 of the Exchange Act are filed as exhibits 31.1 and 31.2, respectively, to this Quarterly Report on Form 10-Q.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

See Note 7: *Commitments and Contingencies*, to our consolidated financial statements found in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Item 1A. RISK FACTORS

*Investing in our securities involves risk. The following risk factors and all other information set forth in this Quarterly Report on Form 10-Q should be considered in evaluating our future prospects. If any of the events described below occur, our business, financial condition, results of operations, liquidity, or access to the capital markets could be materially and adversely affected.*

#### RISKS RELATED TO OUR COMPANY'S OPERATIONS

*COVID-19, governmental reactions to COVID-19, and the resulting adverse economic conditions have negatively impacted our business and will have a continued material adverse impact on our business, financial condition, liquidity, and results of operations.*

COVID-19's negative impacts on the global economy and related governmental responses have been wide ranging and multi-faceted. These impacts have caused historically steep and rapid declines in economic activity in the markets where we operate, disruptions in global supply chains, travel restrictions, sharp downturns in business activity, price volatility in equities markets, and concern that credit markets and companies will not remain liquid.

COVID-19 has caused significant negative impacts on our operations and stock price. Our revenues declined substantially beginning in the second half of March 2020 because of COVID-19 and will remain suppressed while the current economic conditions continue. The operations of our clients have been severely disrupted, and could further decline, thereby increasing the likelihood that our clients continue to delay new contracts or cancel current contracts, reduce orders for our services in the future, have difficulty paying for services provided, or cease operations altogether. The rapid increase in unemployment has made it easier for clients to find new staff, reducing the demand for our services. In response to these adverse conditions we have taken steps to reduce our expenses and cash outflows. These reductions in expenses, including layoffs, could fail to achieve the intended savings or alternatively reduce our ability to take advantage of opportunities in the future if economic conditions improve. Further deterioration in economic conditions, as a result of COVID-19 or otherwise, will lead to a prolonged decline in demand for our services and negatively impact our business.

The extent to which COVID-19 adversely impacts our business depends on future developments of the pandemic and related governmental responses, which are both uncertain and unpredictable. While this matter has, and we expect it to continue to, negatively impact our results of operations, cash flows, profit margins, and financial position, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related financial impact is difficult to estimate at this time. In addition, we cannot guarantee that actions we take to reduce costs or otherwise change our operations will address the issues we face with clients, employees or our results of operations.

*Advances in technology may disrupt the labor and recruiting markets and we must constantly improve our technology to meet the expectations of clients, candidates and employees.*

The increased use of internet-based and mobile technology is attracting additional technology-oriented companies and resources to our industry. Our candidates and clients increasingly demand technological innovation to improve the access to and delivery of our services. Our clients increasingly rely on automation, artificial intelligence, machine learning and other new technologies to reduce their dependence on labor needs, which may reduce demand for our services and impact our operations. We face extensive pressure for lower prices and new service offerings and must continue to invest in and implement new technology and industry developments in order to remain relevant to our clients and candidates. As a result of this increasing dependence upon technology, we must timely and effectively identify, develop, or license technology from third parties, and integrate such enhanced or expanded technologies into the solutions that we provide. In addition, our business relies on a variety of technologies, including those that support recruiting, hiring, paying, order management, billing, collecting, contingent worker data analytics and client data analytics. If we do not sufficiently invest in and implement new technology, or evolve our business at sufficient speed and scale, our business results of operations may decline materially. Acquiring technological expertise and developing new technologies for our business may require us to incur significant expenses and costs. For some

solutions, we depend on key vendors and partners to provide technology and support. If these third parties fail to perform their obligations or cease to work with us, our business operations could be negatively affected.

*We are dependent on obtaining workers' compensation and other insurance coverage at commercially reasonable terms. Unexpected changes in claim trends on our workers' compensation may negatively impact our financial condition.*

Our temporary staffing services employ workers for which we provide workers' compensation insurance. Our workers' compensation insurance policies are renewed annually. The majority of our insurance policies are with AIG. Our insurance carriers require us to collateralize a significant portion of our workers' compensation obligation. The majority of our collateral is held in trust by a third party for the payment of these claims. The loss or decline in value of our collateral could require us to seek additional sources of capital to pay our workers' compensation claims. As our business grows or if our financial results deteriorate, the amount of collateral required will likely increase and the timing of providing collateral could be accelerated. Resources to meet these requirements may not be available. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on acceptable terms. The loss of our workers' compensation insurance coverage would prevent us from operating as a staffing services business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program. We have experienced unexpected changes in claim trends, including the severity and frequency of claims, changes in state laws regarding benefit levels and allowable claims, actuarial estimates, and medical cost inflation, and may experience such changes in the future which could result in costs that are significantly different than initially anticipated or reported and could cause us to record different reserves in our financial statements. There is a risk that we will not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

We actively manage the safety of our contingent workers through our safety programs and actively control costs with our network of workers' compensation related service providers. These activities have had a positive impact creating favorable adjustments to workers' compensation liabilities recorded in prior periods. The benefit of these adjustments is likely to decline and there can be no assurance that we will be able to continue to reduce accident rates and control costs to produce these results in the future.

Some clients require extensive insurance coverage and request insurance endorsements that are not available under standard policies. There can be no assurance that we will be able to negotiate acceptable compromises with clients or negotiate appropriate changes in our insurance contracts. An inability to meet client insurance requirements may adversely affect our ability to take on new clients or continue providing services to existing clients.

*We may experience employment related claims, commercial indemnification claims and other legal proceedings that could materially harm our business.*

We are in the business of employing people in the workplaces of our clients. We incur a risk of liability for claims relating to personal injury, wage and hour violations, immigration, discrimination, harassment and other liabilities arising from the actions of our clients and/or contingent workers. Some or all of these claims may give rise to negative publicity, investigations, litigation or settlements. We may incur costs or other material adverse impacts on our financial statements for the period in which the effect of an unfavorable final outcome becomes probable and can be reasonably estimated.

We may have liability to our clients for the action or inaction of our employees, that may cause harm to our clients or third parties. In some cases, we must indemnify our clients for certain acts of our contingent workers or arising from our contingent workers presence on the client's job site and certain clients have negotiated broad indemnification provisions. We may also incur fines, penalties, and losses that are not covered by insurance or negative publicity with respect to these matters.

We maintain insurance with respect to some potential claims and costs with deductibles. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on acceptable terms. Should the final judgments or settlements exceed our insurance coverage, they could have a material effect on our business. Our ability to obtain insurance, its coverage levels, deductibles and premiums, are all dependent on market factors, our loss history, and insurance providers' assessments of our overall risk profile. Further, we cannot be certain our current and former insurance carriers will be able to pay claims we make under such policies.

*Our level of debt and restrictions in our credit agreement could negatively affect our operations and limit our liquidity and our ability to react to changes in the economy.*

Our revolving credit agreement (the “Revolving Credit Facility”) contains restrictive covenants that require us to maintain certain financial conditions, which we may fail to meet if there is a material decrease in our profitability, including as a result of COVID-19. Our failure to comply with these restrictive covenants could result in an event of default, which, if not cured or waived, would require us to repay these borrowings before their due date. We may not have sufficient funds on hand to repay these loans, and if we are forced to refinance these borrowings on less favorable terms, or are unable to refinance at all, our results of operations and financial condition could be materially adversely affected by increased costs and rates. If the business interruptions caused by COVID-19 last longer than we expect, we may need to seek other sources of liquidity.

Our principal sources of liquidity are funds generated from operating activities, available cash and cash equivalents, and borrowings under our Revolving Credit Facility. We must have sufficient sources of liquidity to meet our working capital requirements, fund our workers’ compensation collateral requirements, service our outstanding indebtedness, and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue promising business opportunities.

As our debt levels increase, it could have significant consequences for the operation of our business including requiring us to dedicate a significant portion of our cash flow from operations to servicing our debt rather than using it for our operations; limiting our ability to obtain additional debt financing for future working capital, capital expenditures, or other corporate purposes; limiting our ability to take advantage of significant business opportunities, such as acquisitions; limiting our ability to react to changes in market or industry conditions; and putting us at a disadvantage compared to competitors with less debt.

*The loss of, continued reduction in or substantial decline in revenue from larger clients or certain industries could have a material adverse effect on our revenues, profitability and liquidity.*

We experience revenue concentration with large clients and in certain industries. Generally, our contracts do not contain guarantees of minimum duration, revenue levels, or profitability. Our clients may terminate their contracts or materially reduce their requested levels of service at any time. Although we have no clients that represents over 10% of our consolidated revenue, there are clients that exceed 10% of revenues within some of our operating segments. The deterioration of the financial condition of a large client or a particular industry could have a material adverse effect on our business, financial condition, and results of operations. COVID-19 has caused certain clients to temporarily close large job sites or reduce demand for our services, and future outbreaks of the pandemic could cause large closures and long-term reduction in demand. In addition, a significant change to the business, staffing or recruiting model of these clients, for example a decision to insource our services, has had and could again have a material adverse effect on our business, financial condition, and results of operations. The loss of, or reduced demand for our services from larger clients and industries, such as construction or travel and leisure, has had, and in the future could have, a material adverse effect on our business, financial condition, and results of operations. Client concentration exposes us to concentrated credit risk, as a significant portion of our accounts receivable may be from a small number of clients. As the impact of COVID-19 increases for our clients, their ability to pay for our services may decline. If we are unable to collect our receivables, or are required to take additional reserves, our results and cash flows will be adversely affected.

*Our business and operations have undergone, and will continue to undergo, significant change as we seek to improve our operational and support effectiveness, which if not managed could have an adverse outcome on our business and results of operations.*

We have significantly changed our operations and internal processes in recent periods, and we will continue making similar changes, in order to improve our operational effectiveness. These efforts strain our systems, management, administrative, operations, and financial infrastructure. For example, we combined some of our operating segments earlier in the year. We believe these efforts are important to our long-term success. Managing and cascading these changes throughout the company will continue to require the further attention of our management team and refinement to our operational, financial and management controls, reporting systems and procedures. These activities will require ongoing expenditures and allocation of valuable management and employee resources. If we fail to manage these changes effectively, our costs and expenses may increase more than we expect and our business, financial condition, and results of operations may be harmed.

*New business initiatives may have an adverse effect on our business.*

We expect to continue adjusting the composition of our business lines and entering into new business initiatives as part of our business strategy. New business initiatives, strategic business partners or changes in the composition of our business mix can be distracting to our management and disruptive to our operations, causing our business and results of operations to suffer

materially. New business initiatives, including initiatives outside of our workforce solutions business, in new markets, or new geographies, could involve significant unanticipated challenges and risks including not advancing our business strategy, not realizing our anticipated return on investment, experiencing difficulty in implementing initiatives, or diverting management's attention from our other businesses. These events could cause material harm to our business, operating results or financial condition.

*Failure to protect our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.*

We have invested in developing specialized technology and intellectual property, proprietary systems, processes and methodologies that we believe provide us a competitive advantage in serving clients. We cannot guarantee that trade secrets, trademark, and copyright law protections are adequate to deter misappropriation of our intellectual property, which is an important part of our business. We may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products to clients.

*We are at risk of damage to our brands and reputation, which is important to our success.*

Our ability to attract and retain clients, contingent workers, candidates, and employees is affected by external perceptions of our brands and reputation. Negative perceptions or publicity could damage our reputation with current or perspective clients and employees. Negative perceptions or publicity regarding our vendors, clients, or business partners may adversely affect our brand and reputation. We may not be successful in detecting, preventing, or negating all changes in or impacts on our reputation. If any factor, including poor performance or negative publicity, whether or not true, hurts our reputation, we may experience negative repercussions which could harm our business.

*The expansion of social media platforms creates new risks and challenges that could cause damage to our brand and reputation.*

The use of social media platforms, including social media websites and other forms of internet-based communications, has rapidly increased allowing individuals access to a broad audience of consumers and other interested parties. For example, unfavorable comments about a work site could make recruiting or hiring at that site more challenging. The inappropriate or unauthorized use of such platforms by our clients or employees could violate privacy laws, cause damage to our brand, or lead to litigation which could harm our business.

*We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or that our share repurchase program will enhance long-term shareholder value.*

Our Board of Directors has authorized a share repurchase program. Under the program, we are authorized to repurchase shares of common stock for a set aggregate purchase price, or we may choose to purchase shares in the open market, from individual holders, through an accelerated share repurchase program or otherwise. Although the Board of Directors has authorized a share repurchase program, the share repurchase program does not obligate the company to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of the repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of the company's common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that these share repurchases will enhance shareholder value because the market price of our common stock may decline below the level at which we repurchased shares of stock. Although our share repurchase program is intended to enhance long-term shareholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness. Following an amendment to our Revolving Credit Facility, our share repurchase program has been paused until the third quarter of 2021.

## **RISKS RELATED TO OUR INDUSTRY**

### ***Our workforce solutions are subject to extensive government regulation and the imposition of additional regulations, which could materially harm our future earnings.***

Our workforce solutions are subject to extensive government regulation. The cost to comply, and any inability to comply with government regulation, could have a material adverse effect on our business and financial results. Increases or changes in government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially harm our business.

Our temporary staffing services employ contingent workers. The wage rates we pay to contingent workers are based on many factors including government-mandated minimum wage requirements, payroll-related taxes and benefits. If we are not able to increase the fees charged to clients to absorb any increased costs related to these factors, our results of operations and financial condition could be adversely affected.

We offer our contingent workers in the United States government-mandated health insurance in compliance with the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “ACA”). Because of the uncertainty surrounding a potential repeal or replacement of the ACA, we cannot predict with any certainty the likely impact of the ACA’s repeal or the adoption of any other health care reform legislation on our financial condition or operating results. If we are unable to comply with changes to the ACA, or any future health care legislation in the United States, or sufficiently raise the rates we charge our clients to cover any additional costs, such noncompliance or increases in costs could materially harm our business.

### ***We operate in a highly competitive industry and may be unable to retain clients, market share, or profit margins.***

Our industry is highly competitive and rapidly innovating, with low barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing companies as well as business process outsourcing companies that also offer our services. Our competitors offer a variety of flexible workforce solutions. Therefore, there is no assurance that we will be able to retain clients or market share in the future, nor can there be any assurance that we will, in light of competitive pressures, be able to remain profitable or maintain our current profit margins.

### ***We may be unable to attract sufficient qualified contingent workers and candidates to meet the needs of our clients.***

We compete to meet our clients’ needs for workforce solutions, therefore, we must continually attract qualified contingent workers and candidates to fill positions. Attracting qualified workers and candidates depends on factors such as desirability of the assignment, location, the associated wages and other benefits. Prior to COVID-19, unemployment in the United States was low, making it challenging to find sufficient eligible workers and candidates to meet our clients’ orders. The economic slowdown resulting from COVID-19 has increased unemployment substantially, but we cannot predict its continued effect on employment rates. Government responses to COVID-19 included generous unemployment benefits which negatively impacted our ability to recruit qualified workers and candidates. Continued similar unemployment benefits will further impact our ability to recruit in the future. We have experienced shortages of qualified workers and candidates and may experience such shortages in the future. Further, if there is a shortage, the cost to employ or recruit these individuals could increase and our ability to generate revenue would be harmed if we could not fill positions. If we are unable to pass those costs through to our clients, it could materially and adversely affect our business. Organized labor periodically engages in efforts to represent various groups of our contingent workers. If we are subject to unreasonable collective bargaining agreements or work disruptions, our business could be adversely affected.

### ***Cybersecurity vulnerabilities and incidents could lead to the improper disclosure of information about our clients, candidates and employees.***

Our business requires the use, processing, and storage of confidential information about applicants, candidates, contingent workers, other employees and clients. We use information technology and other computer resources to carry out operational and support activities and maintain our business records. We rely on information technology systems to process, transmit, and store electronic information and to communicate among our locations around the world and with our clients, partners, and employees. The breadth and complexity of this infrastructure increases the potential risk of security breaches which could lead to potential unauthorized disclosure of confidential information.

Our systems and networks are vulnerable to computer viruses, malware, hackers and other security issues, including physical and electronic break-ins, disruptions from unauthorized access and tampering, social engineering attacks, impersonation of authorized users, and coordinated denial-of-services attacks. We have experienced cybersecurity incidents and attacks which have not had a material impact on our business or results of operations, however, there is no assurance that such impacts will

not be material in the future. The security controls over sensitive or confidential information and other practices we and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Continued investments in cybersecurity will increase our costs and a failure to prevent access to our systems could lead to penalties, litigation, and damage to our reputation. Perceptions that we do not adequately protect the privacy of information could harm our relationship with clients and employees.

*Data security, data privacy and data protection laws and other technology regulations increase our costs.*

Laws and regulations related to privacy and data protection are evolving and generally becoming more stringent. We may fail to implement practices and procedures that comply with increasing international and domestic privacy regulations, such as the General Data Protection Regulations or the California Consumer Privacy Act. Several additional U.S. states have issued cybersecurity regulations that outline a variety of required security measures for protection of data. These regulations are designed to protect client, candidate, contingent worker, and employee data and require that we meet stringent requirements regarding the handling of personal data, including the use, protection and transfer of personal data. As these laws continue to change, we may be required to make changes to our services, solutions or products to meet the new legal requirements. Changes in these laws may increase our costs to comply as well as our potential costs through higher potential penalties for non-compliance. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

*Improper disclosure of, or access to our clients' information could materially harm our business.*

Our contingent workers and employees may have access to or exposure to confidential information about applicants, candidates, contingent workers, other employees and clients. The security controls over sensitive or confidential information and other practices we, our clients and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

**GENERAL RISK FACTORS**

*Demand for our workforce solutions is significantly affected by fluctuations in general economic conditions.*

The demand for our workforce solutions is highly dependent upon the state of the economy and the workforce needs of our clients, which creates uncertainty and volatility. National and global economic activity is slowed by many factors, including rising interest rates, political and legislative changes, epidemics, other significant health concerns, and global trade uncertainties. As economic activity slows, companies tend to reduce their use of contingent workers and recruitment of new employees. For example, we have recently experienced significantly reduced demand from our clients due to COVID-19. Significant declines in demand from any region or industry in which we have a major presence, or the financial health of our clients, significantly decreases our revenues and profits. Deterioration in economic conditions or the financial or credit markets could also have an adverse impact on our clients' financial health or their ability to pay for services we have already provided.

It is difficult for us to forecast future demand for our services due to the inherent uncertainty in forecasting the direction and strength of economic cycles and the project nature of our staffing assignments. The uncertainty can be exacerbated by volatile economic conditions, which has caused and may continue to cause clients to reduce or defer projects for which they utilize our services. The negative impact to our business can occur before, during or after a decline in economic activity is seen in the broader economy. When it is difficult for us to accurately forecast future demand, we may not be able to determine the optimal level of personnel and investment necessary to profitably manage our business in light of opportunities and risks we face.

*Outsourcing certain aspects of our business could result in disruption and increased costs.*

We have outsourced certain aspects of our business to third-party vendors. These relationships subject us to significant risks including disruptions in our business and increased costs. For example, we license software from third parties, much of which is central to our systems and our business. The licenses are generally terminable if we breach our obligations under the license agreements. If any of these relationships were terminated, or if any of these parties were to cease doing business or supporting the applications we currently utilize, our business could be disrupted and we may be forced to spend significant time and money to replace the licensed software. In addition, we have engaged third parties to host and manage certain aspects of our data center, information and technology infrastructure, mobile applications, and electronic pay solutions, to provide certain back office support activities, and to support business process outsourcing for our clients. We are subject to the risks associated with the vendors' inability to provide these services in a manner that meets our needs. If the cost of these services is more than expected, if the vendors suddenly cease providing their services, or if we or the vendors fail to adequately protect our data and

information is lost, or if our ability to deliver our services is interrupted, then our business and results of operations may be negatively impacted.

***We may not achieve the intended effects of our business strategy which could negatively impact our results.***

Our business strategy focuses on driving growth in our PeopleReady, PeopleManagement and PeopleScout business lines by investing in innovative technology, acquisitions and initiatives which drive organic growth. Our investments and acquisitions may not achieve our desired returns and the results of our initiatives may not be as expected or may be impacted by matters outside of our control. If we are unsuccessful in executing any of these strategies, we may not achieve our goal of revenue and profitability growth, which could negatively impact financial results.

***Acquisitions may have an adverse effect on our business.***

We may continue making acquisitions a part of our business strategy. This strategy may be impeded, however, and we may not achieve our long-term growth goals if we cannot identify suitable acquisition candidates or if acquisition candidates are not available under acceptable terms. We may have difficulty integrating acquired companies into our operating, financial planning, and financial reporting systems and may not effectively manage acquired companies to achieve expected growth.

Future acquisitions could result in incurring additional debt and contingent liabilities, an increase in interest expense, amortization expense, and charges related to integration costs. Additional indebtedness could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for an acquisition, which could result in dilution to our shareholders. Any acquisitions we announce could be viewed negatively by investors, which may adversely affect the price of our common stock. Acquisitions can also result in the addition of goodwill and intangible assets to our financial statements and we may be required to record a significant charge in our financial statements during the period in which we determine an impairment of our acquired goodwill and intangible assets has occurred, which would negatively impact our financial results. The potential loss of key executives, employees, clients, suppliers, vendors, and other business partners of businesses we acquire may adversely impact the value of the assets, operations, or business we acquire. These events could cause material harm to our business, operating results or financial condition.

***Our results of operations could materially deteriorate if we fail to attract, develop and retain qualified employees.***

Our performance is dependent on attracting and retaining qualified employees who are able to meet the needs of our clients. We believe our competitive advantage is providing unique solutions for each client, which requires us to have trained and engaged employees. Our success depends upon our ability to attract, develop and retain a sufficient number of qualified employees, including management, sales, recruiting, service, technology and administrative personnel. The turnover rate in the employment services industry is high, and qualified individuals may be difficult to attract and hire. Our inability to recruit, train and motivate a sufficient number of qualified individuals may delay or affect the speed and quality of our strategy execution and planned growth. Delayed expansion, significant increases in employee turnover rates, or significant increases in labor costs could have a material adverse effect on our business, financial condition and results of operations. While we are generally able to keep our branches and offices open, as a key support service for essential business, we must keep our staff healthy for our branches and offices to remain open. Failure to keep our staff healthy and our branches and offices open would harm our results of operations.

***Failure of our information technology systems could adversely affect our operating results.***

The efficient operation of our business and applications and services we provide is dependent on reliable technology. We rely on our information technology systems to monitor and control our operations, adjust to changing market conditions, implement strategic initiatives, and provide services to clients. We rely heavily on proprietary and third-party information technology systems, mobile device technology data centers, cloud-based environments and other technology. We take various precautions and have enhanced controls around these systems, but information technology systems are susceptible to damage, disruptions, shutdowns, power outages, hardware failures, computer viruses, malicious attacks, telecommunication failures, user errors, catastrophic events or failures during the process of upgrading or replacing software, vendors, or databases. The failure of technology and our applications and services, and our information systems to perform as anticipated could disrupt our business and result in decreased revenue and increased overhead costs, causing our business and results of operations to suffer materially.

***Our facilities, operations and information technology systems are vulnerable to damage and interruption.***

Our primary computer systems, headquarters, support facilities and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, employee errors, security breaches, natural disasters, civil unrest, and catastrophic events. Failure of our systems or damage to our facilities may cause significant

interruption to our business, and require significant additional capital and management resources to resolve, causing material harm to our business.

*We face risks in operating internationally.*

A portion of our business operations and support functions are located outside of the United States. These international operations are subject to a number of risks, including the effects of COVID-19 and governmental action, such as travel restrictions and “stay-at-home” orders, political and economic conditions in those foreign countries, foreign currency fluctuations, the burden of complying with various foreign laws and technical standards, unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. We recently acquired operations in the United Kingdom, which could be negatively impacted as clients in the United Kingdom encounter uncertainties related to the United Kingdom’s exit from the European Union. We could also be exposed to fines and penalties under U.S. or foreign laws, such as the Foreign Corrupt Practices Act, which prohibits improper payments to governmental officials and others for the purpose of obtaining or retaining business. Although we have implemented policies and procedures designed to ensure compliance with these laws, we cannot be sure that our employees, contractors or agents will not violate such policies. Any such violations could materially damage our reputation, brands, business and operating results. Further, changes in U.S. laws and policies governing foreign investment and use of foreign operations or workers, and any negative sentiments towards the United States resulting from such changes, could adversely affect our operations.

*We may have additional tax liabilities that exceed our estimates.*

We are subject to federal taxes, a multitude of state and local taxes in the United States, and taxes in foreign jurisdictions. We face continued uncertainty surrounding the 2017 Tax Cuts and Jobs Act and any reduction or change in tax credits which we utilize, such as the Work Opportunity Tax Credit. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. We are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation with tax authorities could materially harm our business. Changes in interpretation of existing laws and regulations by a taxing authority could result in penalties and increased costs in the future. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing intercompany arrangements or may change their laws, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

*Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.*

If our management is unable to certify the effectiveness of our internal controls, including those over our third-party vendors, or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause our stock price to decline.

*The price of our common stock may fluctuate significantly, which may result in losses for investors.*

The market price for our common stock may be subject to significant volatility. Our stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, but are not limited to, changes in general economic conditions, including those caused by COVID-19; social unrest; announcement of new services or acquisitions by us or our competitors; changes in financial estimates or other statements by securities analysts; changes in industry trends or conditions; regulatory developments and any major change in our board or management. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated to the operating performance of listed companies. These broad market and industry factors may impact the price of our common stock, regardless of our operating performance.

## Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below includes repurchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended September 27, 2020.

Period	Total number of shares purchased (1)	Weighted average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs (3)	Maximum number of shares (or approximate dollar value) that may yet be purchased under plans or programs at period end (4)
06/29/2019 through 07/26/2020	4,963	\$14.57	626,948	\$66.7 million
07/27/2020 through 08/23/2020	4,355	\$15.43	—	\$66.7 million
08/24/2020 through 09/27/2020	14,355	\$16.36	—	\$66.7 million
Total	23,673	\$15.81	626,948	

- (1) During the thirteen weeks ended September 27, 2020, we purchased 23,673 shares in order to satisfy employee tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to our publicly announced share repurchase program.
- (2) Weighted average price paid per share does not include any adjustments for commissions.
- (3) On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of \$14.40
- (4) On October 16, 2019, our Board of Directors authorized a \$100.0 million share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have expiration dates. As of September 27, 2020, \$66.7 million remains available for repurchase under the existing authorization. The second amendment to our credit agreement prohibits us from repurchasing shares until July 1, 2021.

### *Accelerated share repurchase plan*

On February 28, 2020, we entered into an accelerated share repurchase (“ASR”) agreement with a third-party financial institution to repurchase \$40.0 million of our common stock. Under the ASR agreement, we paid \$40.0 million to the financial institution and received an initial delivery of 2,150,538 shares during the first quarter of 2020, which represented 80% of the total shares we expected to receive based on the market price at the time of the initial delivery. On July 2, 2020, we settled our ASR agreement resulting in the receipt of 626,948 additional shares from the third-party financial institution. The total number of shares delivered under the ASR agreement was 2,777,486 with a volume weighted average price over the term of the ASR agreement of \$14.40.

## Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## Item 4. MINE SAFETY DISCLOSURES

Not applicable.

## Item 5. OTHER INFORMATION

None.

**Item 6. INDEX TO EXHIBITS**

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference		
			Form	File no.	Date of first filing
3.1	<a href="#">Amended and Restated Articles of Incorporation.</a>		8-K	001-14543	05/12/2016
3.2	<a href="#">Amended and Restated Bylaws.</a>		10-Q	001-14543	10/30/2017
10.1*	<a href="#">Executive Employment Agreement between TrueBlue, Inc. and Brannon Lacey effective as of September 11, 2020.</a>	X			
10.2*	<a href="#">Form Executive Indemnification Agreement between TrueBlue, Inc. and Patrick Beharelle, Derrek L. Gafford, Taryn R. Owen, Carl Schweihs, Garrett Ferencz and Brannon Lacey.</a>		10-K	001-14543	02/24/2020
10.3*	<a href="#">Form Executive Change in Control Agreement between TrueBlue, Inc. and Derrek L. Gafford, Patrick Beharelle, Taryn R. Owen, Carl Schweihs, Garrett Ferencz and Brannon Lacey.</a>		10-Q	001-14543	05/04/2007
10.4*	<a href="#">Form Non-Competition Agreement between TrueBlue, Inc. and Taryn R. Owen, Carl Schweihs, Garrett Ferencz and Brannon Lacey.</a>		10-K	001-14543	02/24/2020
31.1	<a href="#">Certification of A. Patrick Beharelle, Chief Executive Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
31.2	<a href="#">Certification of Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
32.1	<a href="#">Certification of A. Patrick Beharelle, Chief Executive Officer of TrueBlue, Inc. and Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	X			
101	The following financial statements from the Company's 10-Q, formatted as Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Cash Flows, and (iv) Notes to consolidated financial statements.	X			
104	Cover page interactive data file - The cover page from this Quarterly Report on Form 10-Q is formatted as Inline XBRL	X			

\* Indicates a management contract or compensatory plan or arrangement

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TrueBlue, Inc.**

*/s/ A. Patrick Beharelle* **10/26/2020**

Signature Date

By: A. Patrick Beharelle, Director, President and Chief Executive Officer

*/s/ Derrek L. Gafford* **10/26/2020**

Signature Date

By: Derrek L. Gafford, Chief Financial Officer and  
Executive Vice President

*/s/ Norman H. Frey* **10/26/2020**

Signature Date

By: Norman H. Frey, Chief Accounting Officer and  
Senior Vice President

**EXECUTIVE VICE PRESIDENT, PEOPLESOUT  
EXECUTIVE EMPLOYMENT AGREEMENT**

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This Employment Agreement (“Agreement”) is between **Brannon Lacey** (“Executive”) and TrueBlue, Inc. or a TrueBlue, Inc. subsidiary, affiliate, related business entity, successor, or assign (collectively “TrueBlue” or “Company”) and is effective as of September 11, 2020.

**I. COMPENSATION AND POSITION.**

**A. Employment.**

Executive wishes to be employed with Company, and Company wishes to employ Executive as an Executive Vice President, PeopleScout under the terms and conditions stated in this Agreement. Additionally, Executive will have access to company-wide confidential and propriety information, including strategic planning information, which is vital to the ability of Company and its affiliates to compete in all of its locations. Executive’s entering into this Agreement is a condition of continued employment and continued access to such materials. Valuable consideration, including without limitation, the mutual covenants and promises contained herein, and the terms of Section II.A.2, is provided to Executive to enter this Agreement, the sufficiency of which is expressly acknowledged.

**B. Effective Date.**

The terms and conditions of this Agreement shall become effective as of the date written above, provided that Executive has voluntarily accepted and executed Company’s Non-Competition Agreement (provided herewith). Acceptance and execution of Company’s Non-Competition Agreement is a condition of continued employment and is a condition precedent to the enforceability of this Agreement.

**C. Title and Compensation.**

1. **Title.** Executive’s title shall be Executive Vice President, PeopleScout. Executive may also have additional Company or Company affiliate titles. Executive’s title is subject to change and shall be set forth in the Executive’s record with Company’s Human Resources department. Executive shall have such responsibilities, duties and authority as are customarily assigned to such position and shall render services as directed. These responsibilities, duties and authority are as outlined in the executive job description as contained in the Human Resources file and given to Executive prior to commencement of employment.

2. **Annual Base Salary.** Executive will receive a salary in the gross amount in accordance with the terms and conditions of the offer letter (“Offer Letter”) attached hereto as Exhibit A, which shall be on file with Company’s Human Resources department. This position is a salaried position which is exempt under the Fair Labor Standards Act and relevant state law. This salary is in compensation for all work performed by Executive. Executive warrants and acknowledges that Executive is not entitled to “overtime” pay. Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Company is required to withhold pursuant to any applicable law, regulation or ruling and other customary and usual deductions.

3. **Bonus and Equity Awards.** Executive will be eligible for an On-Hire Cash Bonus, an Annual Bonus, an On-Hire Equity Award and Future Equity Awards in accordance with the

terms and conditions of the Offer Letter. The Bonus Plan and all aspects of bonus compensation may be changed at the discretion of the Compensation Committee and/or the Board of Directors.

**D. Benefits.**

1. **General.** Executive shall be entitled to all benefits offered generally to Executives of Company in accordance with the terms of the Offer Letter.

2. **Health & Welfare Benefits.** Executive shall be entitled to all health and welfare benefits offered generally to employees of Company.

3. **Paid Time Off.** Executive shall be entitled each year during Executive's employment to the number of vacation days outlined in the Offer Letter.

4. **Business Expenses.** Business expenses will be reimbursed in accordance with Company policies.

**II. TERMS AND CONDITIONS.**

**A. Employment.**

1. **Employment at Will.** Company and Executive agree that Executive's employment is not for any specific or minimum term or duration, and that subject to Section II(A)(2) of this Agreement, the continuation of Executive's employment is subject to the mutual consent of Company and Executive, and that it is terminable at will, meaning that either Company or Executive may terminate the employment at any time, for any reason or no reason, with or without cause, notice, pre-termination warning or discipline, or other pre- or post-termination procedures of any kind. Executive acknowledges and agrees that any prior representations to the contrary are void and superseded by this Agreement, and that Executive may not rely on any future representations to the contrary, whether written or verbal, express or implied, by any statement, conduct, policy, handbook, guideline or practice of Company or its employees or agents. Nothing in this Agreement creates any right, contract or guarantee of continued or a length of term period of employment or gives Executive the right to any particular level of compensation or benefits and nothing in this Agreement should be construed as such. The parties agree that any decision maker who is charged with reviewing disputes surrounding Executive's employment shall reject any legal theory, whether in law or in equity, that is claimed to alter at-will employment, unless such theory cannot be waived as a matter of law.

**2. Post Termination Payments.**

(a) In the event of termination of Executive's employment for any or no reason or with or without Cause, by either Company or Executive, or if Executive's employment ends due to the death or disability of Executive, Executive shall be paid unpaid wages, and unused vacation earned through the termination date.

(b) Provided that Executive's employment does not end due to Executive's death or disability, if Company terminates Executive's employment without Cause as defined in this Agreement, or Executive terminates employment with Good Reason as defined in this Agreement, subject to the conditions set forth below, in addition to the amounts described in Sections II(A)(2)(a), Executive shall be provided with the following as the sole remedy for such termination, subject to withholding:

(i) separation payments equal to twelve (12) months of base monthly salary in effect for Executive on the termination date to be paid on the Company's customary payroll schedule beginning after the revocation period has lapsed for the release requirement in Section II(A)(2) (c), with the actual period of receipt of such payments being referred to as the "Severance Period"; and

(ii) accelerated vesting in any previously awarded restricted stock and other equity based awards as if Executive had worked for Company for twelve (12) months after Executive's termination date, subject to any performance criteria, and provided that any options or other equity awards that are not exercised within the time periods for exercise set forth in the applicable plan, sub-plan or grant agreement, shall expire in accordance with the terms of such plan, sub-plan or grant agreement, as this accelerated vesting will not extend or otherwise delay the time period for exercising an option or other equity award.

(c) As a condition precedent to being entitled to receive the benefits set forth in Section II(A)(2)(b), within twenty-one (21) days of Executive's termination, Executive must (i) sign and deliver and thereafter not revoke a release in the form of Exhibit B to this Agreement in accordance with its terms or a form otherwise acceptable to Company; (ii) be and remain in full compliance with all provisions of Section III and IV of this Agreement; and (iii) be and remain in full compliance with Company's Non-Competition Agreement and any other covenants with Company entered into by Executive. Company shall have no obligation to make any payments or provide any benefits to the Executive hereunder unless and until the effective date of the waiver and release agreement, as defined therein.

### 3. Cause.

(a) For the purpose of this Agreement, "Cause," as used herein, means any of the following (alone or in combination):

(b) Executive is convicted of or takes a plea of nolo contendere to a crime involving dishonesty, fraud or moral turpitude;

(c) Executive has engaged in any of the following: (i) fraud, embezzlement, theft or other dishonest acts, (ii) unprofessional conduct, (iii) gross negligence related to the business or (iv) other conduct that is materially detrimental to the business as determined in the reasonable business judgment of Company;

(d) Executive materially violates a significant Company policy (as they may be amended from time to time), such as policies required by the Sarbanes-Oxley Act, Company's Drug Free Workplace Policy or Company's EEO policies, and does not cure such violation (if curable) within twenty (20) days after written notice from Company;

(e) Executive willfully takes any action that significantly damages the assets (including tangible and intangible assets, such as name or reputation) of Company;

(f) Executive fails to perform Executive's duties in good faith or Executive persistently fails to perform Executive's duties, and does not cure such failures within ten (10) days after written notice from Company or, if notice and cure have previously taken place regarding a similar failure to perform, if the circumstance recurs;

(g) Executive uses or discloses (or allows others to use or disclose) Confidential Information, as defined in this Agreement, without authorization; or

(h) Executive breaches this Agreement in any material respect and does not cure such breach (if curable) within twenty (20) days after written notice from Company or, if notice and cure have previously taken place regarding a similar breach, if a similar breach recurs.

A termination of employment by the Employer for one of the reasons set forth in Section II. 3(a)-(h) above will not constitute cause unless, within the 60-day period immediately following the occurrence of such event, Employer has given written notice to Executive specifying in reasonable detail the event or events relied upon for such termination and Executive has not remedied such event or events within twenty (20) days of the receipt of such notice.

4. **Good Reason.** For the purpose of this Agreement, “Good Reason,” as used herein, means:

(a) any material breach of this Agreement by Company which, if curable, has not been cured within twenty (20) days after Company has been given written notice of the need to cure the breach;

(b) a substantial reduction of responsibilities assigned to Executive, provided that Company fails to remedy such reduction within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same; or

(c) a reduction in Executive’s base salary, other than as part of an across-the-board salary reduction generally imposed on employees of Company, provided that Company fails to remedy such reduction(s) within twenty (20) days after being provided written notice thereof from Executive that Executive objects to the same.

A termination of employment by the Executive for one of the reasons set forth in Section II. 4(a)-(c) above will not constitute Good Reason unless, within the 60-day period immediately following the occurrence of such Good Reason event, Executive has given written notice to Company specifying in reasonable detail the event or events relied upon for such termination and Company has not remedied such event or events within twenty (20) days of the receipt of such notice.

**B. Dispute Resolution; Arbitration; Exigent Relief.**

Company and Executive agree that any claim arising out of or relating to this Agreement, or the breach of this Agreement, or Executive’s application, employment, or termination of employment, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act. Company and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Company and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. Company agrees to pay for the arbiter’s fees where required by law.

Executive understands that if Executive has breached the Confidentiality Agreement, or any other section herein, Company may seek an injunction, or other relief as may be appropriate, against Executive.

**C. Duty of Loyalty.**

Executive agrees to devote all time that is reasonably necessary to execute and complete Executive's duties to Company. During the time necessary to execute Executive's duties, Executive agrees to devote Executive's full and undivided time, energy, knowledge, skill, and ability to Company's business, to the exclusions of all other business and sideline interests. Because of the agreement in the preceding sentence, during Executive's employment with Company, Executive also agrees not to be employed or provide any type of services, whether as an advisor, consultant, independent contractor or otherwise in any capacity elsewhere unless first authorized, in writing, by a proper representative of Company. In no event will Executive allow other activities to conflict or interfere with Executive's duties to Company. Executive agrees to faithfully and diligently perform all duties to the best of Executive's ability. Executive recognizes that the services to be rendered under this Agreement require certain training, skills, and experience, and that this Agreement is entered into for the purpose of obtaining such service for Company. Upon request, Executive agrees to provide Company with any information which Executive possesses and which will be of benefit to Company. Executive agrees to perform Executive's duties in a careful, safe, loyal and prudent manner. Executive agrees to conduct him/herself in a way which will be a credit to Company's reputation and interests, and to otherwise fulfill all fiduciary and other duties Executive has to Company.

Executive represents and warrants that Executive has been in full compliance with all prior covenants Executive has entered into protecting Company's Confidential Information.

**D. Reimbursement.**

If Executive ever possesses or controls any Company funds (including, without limitation, cash and travel advances, overpayments made to Executive by Company, amounts received by Executive due to Company's error, unpaid credit or phone charges, excess sick or vacation pay, or any debt owed Company for any reason, including misuse or misappropriation of company assets), Executive will remit them to Company corporate headquarters in Tacoma, Washington daily for the entire period of Executive's possession or control of such Company funds unless directed otherwise in writing. At any time upon request, and at the time when Executive's employment ends for any reason, even without request, Executive shall fully and accurately account to Company for any Company funds and other property in Executive's possession or control. If Executive fails to do so, Executive hereby authorizes Company (subject to any limitations under applicable law) to make appropriate deductions from any payment otherwise due Executive (including, without limitation, Executive's paycheck, salary, bonus, commissions, expense reimbursements and benefits), in addition to all other remedies available to Company.

**E. Background Investigation and Review of Company Property.**

1. Executive agrees that at any time during employment Company may, subject to any applicable legal requirements, investigate Executive's background for any relevant information on any subject which might have a bearing on job performance including, but not limited to, employment history, education, financial integrity and credit worthiness, and confirm that Executive has no criminal record during the last ten years. Executive shall sign any and all documents necessary for Company to conduct such investigation. For this purpose, Executive specifically authorizes Company to obtain any credit reports, background checks and other information which may be useful. Executive acknowledges and, except as may be limited by applicable law, agrees to abide at all times by the terms of Company's drug and alcohol policy. Executive understands that failure to comply with Company's policies, including its drug and alcohol policies, may result in termination of employment.

2. Executive acknowledges and agrees that unless otherwise expressly prohibited by law, Company has the complete right to review, inspect and monitor all Company property, including, without limitation, email, voicemail, and computer property of Company, and to review, inspect and monitor Executive's use of the internet or other computer related transmission of information including, without limitation, the identity and use of USB and other computer related drives. Executive acknowledges that Executive has no expectation of privacy in Company's property, including, without limitation, email, voicemail, and computer property.

### **III. CONFIDENTIAL INFORMATION.**

#### **A. Non-Disclosure and Non-Use and other Protection of Confidential Information .**

1. In connection with Executive's duties, Executive may have access to some or all of Company's "Confidential Information," whether original, duplicated, computerized, memorized, handwritten, or in any other form, and all information contained therein, including, without limitation: (a) the ideas, methods, techniques, formats, specifications, procedures, designs, strategies, systems, processes, data and software products which are unique to Company; (b) all of Company's business plans, present, future or potential customers or clients (including the names, addresses and any other information concerning any customer or client), marketing, marketing strategies, pricing and financial information, research, training, know-how, operations, processes, products, inventions, business practices, databases and information contained therein, its wage rates, margins, mark-ups, finances, banking, books, records, contracts, agreements, principals, vendors, suppliers, contractors, employees, applicants, Candidates, skill sets of applicants, skill sets of Candidates, marketing methods, costs, prices, price structures, methods for calculating and/or determining prices, contractual relationships, business relationships, compensation paid to employees and/or contractors, and/or other terms of employment, employee evaluations, and/or employee skill sets; (c) the content of all of Company's operations, sales and training manuals; (d) all other information now in existence or later developed which is similar to the foregoing; (e) all information which is marked as confidential or explained to be confidential or which, by its nature, is confidential or otherwise constitutes the intellectual property or proprietary information of Company; and/or (f) any of Company's "trade secrets". For the purposes of this Section III, all references to, and agreements regarding, Confidential Information or Confidential Information of Company also apply to Confidential Information belonging to any affiliate of Company, and to any confidential or proprietary information of third party clients that Company has an obligation to keep confidential. Employee's covenants in this Section III shall protect affiliates and clients of Company to the same extent that they protect Company. Confidential Information shall not include any portion of the foregoing which (i) is or becomes generally available to the public in any manner or form through no fault of Executive, or (ii) is approved for Executive's disclosure or use by the express written consent of the General Counsel or Chief Financial Officer of Company.

2. Executive agrees and acknowledges that all Confidential Information is to be held in confidence and is the sole and exclusive property of Company and/or its affiliates or clients. Executive recognizes the importance of protecting the confidentiality and secrecy of Confidential Information. Executive agrees to use Executive's best efforts to protect Confidential Information from unauthorized disclosure to others. Executive understands that protecting Confidential Information from unauthorized disclosure is critically important to Company's success and competitive advantage, and that the unauthorized use or disclosure of Confidential Information would greatly damage Company. Executive recognizes and agrees that taking and using Confidential Information, including trade secrets, by memory is no different from taking it on paper or in some other tangible form, and that all of such conduct is prohibited. Executive agrees that, prior to use or disclosure, Executive will request

clarification from Company's legal department if Executive is at all uncertain as to whether any information or materials are Confidential Information.

3. During Executive's employment and in perpetuity after the termination of Executive's employment for any or no cause or reason, Executive agrees: (a) not to use (or allow others to wrongfully use) any Confidential Information for the benefit of any person (including, without limitation, Executive's benefit) or entity other than Company; and (b) not to, except as necessary or appropriate for Executive to perform Executive's job responsibilities, disclose (or allow others to wrongfully disclose) any Confidential Information to others or download or make copies of any Confidential Information without Company's written consent, or remove any such records from the offices of Company except for the sole purpose of conducting business on behalf of Company. If at any time Executive ever believes that any person has received or disclosed or intends to receive or disclose Confidential Information without Company's consent, Executive agrees to immediately notify Company.

4. At any time during Executive's employment upon Company's request, and at the end of Executive's employment with Company, even without Company's request, Executive covenants, agrees to, and shall immediately return to Company, at its headquarters in Tacoma, Washington, all Confidential Information as defined herein, and all other material and records of any kind concerning Company's business, and all other property of Company that Executive may possess or control.

5. At all times, Executive agrees not to directly or indirectly take, possess, download, allow others to take or possess or download, provide to others, delete or destroy or allow others to delete or destroy, any of Company's Confidential Information or other property, other than in the normal course of business.

6. Executive agrees that these covenants are necessary to protect Company's Confidential Information, and Company's legitimate business interests (including, without limitation, the confidentiality of Company's business information and other legitimate interests), in view of Executive's key role with each branch of Company and its affiliates and the extent of confidential and proprietary information about the entire Company and its affiliates and clients to which Executive has information. Company and Executive agree that the provisions of this Section III do not impose an undue hardship on Executive and are not injurious to the public; that they are necessary to protect the business of Company and its affiliates and clients; that the nature of Executive's responsibilities with Company under this Agreement and Executive's former responsibilities with Company provide and/or have provided Executive with access to Confidential Information that is valuable and confidential to Company; that Company would not continue to employ Executive if Executive did not agree to the provisions of this Section III; that this Section III is reasonable in its terms and that sufficient consideration supports this Agreement, including, without limit, this Section III.

7. The covenants set forth above are independent of any other provision of this Agreement. Executive agrees that they will be enforceable whether or not Executive has any claim against Company. Executive and Company agree that this Agreement should be interpreted in the way that provides the maximum protection to Company's Confidential Information.

8. Executive acknowledges that if Executive violates any of the foregoing covenants, the damage to Company will be such that Company is not likely to be made whole with a monetary award. Therefore, Executive agrees that if Executive violates or threatens to violate any such covenant, Company will be entitled to a temporary restraining order, a preliminary injunction and/or a permanent injunction, in addition to any and all other legal or equitable remedies available under law and equity. Executive understands that if Executive violates any of the foregoing covenants, Company may

seek a restraining order, injunction, or other legal or equitable relief as may be appropriate, against Executive.

9. Executive represents and warrants that Executive has been in full compliance with the provisions protecting Company's Confidential Information as set forth in any previous agreement with Company herein and in the Non-Competition Agreement, as well as all other terms and conditions of any previous agreement with Company.

10. Executive agrees to notify Company (Human Resources) if Executive becomes aware that others are using, wrongfully disclosing, downloading, making copies of, taking, possessing, deleting or destroying confidential information.

**B. Other Employers and Obligations.**

1. Executive represents to Company that Executive is not subject to any restriction or duties under any agreement with any third party or otherwise which will be breached by employment with Company, or which will conflict with Company's best interests or Executive's obligations under this Agreement. Executive agrees to notify Executive's supervisor promptly in the event Executive or other employees is/are solicited for employment by any competitor of Company.

2. Executive warrants that Executive's employment with Company will not violate any contractual obligations with other parties. Executive will not use during Executive's employment with Company nor disclose to Company any confidential or proprietary information or trade secrets from any former or current employers, principals, partners, co-venturers, customers or suppliers, and will not bring onto Company's premises any unpublished document or any property belonging to any such person or entities without their consent. Executive will honor any non-disclosure, proprietary rights, or other contractual agreements with any other person or entity and has disclosed to Company any such agreements that may bear on employment with Company. Executive agrees to tell any prospective new employer about this Agreement and its terms.

**IV. ASSIGNMENT OF INVENTIONS.**

**A. Inventions Assignment.**

Executive will make prompt and full disclosure to Company, will hold in trust for the sole benefit of Company, and does assign exclusively to Company all right, title and interest in and to any and all inventions, discoveries, designs, developments, improvements, copyrightable material and trade secrets (collectively herein "Inventions") that Executive solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Executive's employment with Company.

**B. Outside Inventions.**

Executive's obligation to assign shall not apply to any Invention about which Executive can prove all the following: (a) it was developed entirely on Executive's own time; (b) no equipment, supplies, facility, services or trade secret information of Company was used in its development; (c) it does not relate (i) directly to the business of Company or its affiliates or (ii) to the actual or demonstrably anticipated business, research or development of Company or its affiliates; and (d) it does not result from any work performed by Executive for Company or its affiliates. Executive shall attach a list of all existing Inventions meeting these requirements to this Agreement.

**V. COMPLIANCE WITH LAWS AND COMPANY'S CODE OF CONDUCT.**

**A. Commitment to Compliance.**

Company is committed to providing equal employment opportunity for all persons regardless of race, color, gender, creed, religion, age, marital or family status, national origin, citizenship, mental or physical disabilities, veteran status, ancestry, citizenship, HIV or AIDS, sexual orientation, on-the-job-injuries, or the assertion of any other legally enforceable rights, or other protected status under applicable law. Equal opportunity extends to all aspects of the employment relationship, including hiring, transfers, promotions, training, termination, working conditions, compensation, benefits, and other terms and conditions of employment. Company is likewise committed to ensuring that employees are accurately paid for all hours worked.

**B. Duty to Comply with the Law.**

Executive agrees to and shall comply with all federal, state and local laws and regulations, including, without limit, equal employment opportunity laws and wage and hour laws. Executive agrees to and shall immediately notify Company if Executive becomes aware of a violation of the law, or suspects a violation of the law has or will occur. Executive acknowledges that Executive may be held personally liable for intentional violations.

**C. Duty to Comply with Company's Code of Conduct.**

Executive acknowledges and agrees that it is Executive's duty to be familiar with Company's Code of Conduct, and to comply with all of its respective provisions.

**VI. MISCELLANEOUS.**

**A. Integration.**

Except with respect to Company's Non-Competition Agreement, Change-in-Control Agreement, and Indemnification Agreement: (i) no promises or other communications made by either Company or Executive are intended to be, or are, binding unless they are set forth in this Agreement; and (ii) this Agreement contains the entire agreement between the parties and replaces and supersedes any prior agreements, including previous employment agreement(s). This Agreement may not be modified except by a written instrument signed by an appropriate officer of Company and by Executive. This Agreement will be binding upon Executive's heirs, executors, administrators and other legal representatives.

**B. Choice of Law.**

Company and Executive agree that this Agreement and all interpretations of the provisions of this Agreement will be governed by the laws of the State of Washington, without regard to choice of law principles.

**C. Venue and Consent to Jurisdiction.**

Where the parties have mutually waived their right to arbitration in writing or have not sought to enforce their right to compel arbitration, or where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of either party, Executive and Company hereby irrevocably and unconditionally submit to the jurisdiction of the Washington State Superior Court for Peirce County or

the United States District Court, Western District of Washington at Tacoma, or to any court in any location where Executive is threatening to breach or is engaged in breaching the Agreement; Executive and Company consent to submit to venue and personal jurisdiction of the courts identified herein, and agree to waive any claim that any such suit, action, or proceeding has been brought in an inconvenient forum. Executive and Company agree that the choice of venue lies solely in the discretion of the Company.

**D. No Waiver of Rights.**

A waiver by Company of the breach of any of the provisions of this Agreement by Executive shall not be deemed a waiver by Company of any subsequent breach, nor shall recourse to any remedy hereunder be deemed a waiver of any other or further relief or remedy provided for herein. No waiver shall be effective unless made in writing and signed by the General Counsel or Chief Compliance Officer of Company. Agreement shall be enforceable regardless of claim Executive may have against Company.

**E. Severability.**

The provisions of this Agreement are intended to be severable from each other. No provision will be invalid because another provision is ruled invalid or unenforceable. If any provision in this Agreement is held to be unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement and shall be re-written to provide the maximum effect consistent with the intent of the provision.

**F. Binding Effect and Assignability.**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, assigns, affiliated entities, and any party-in-interest. Executive agrees and understands that, should Company be acquired by, merge with, or otherwise combine with another corporation or business entity, the surviving entity will have all rights to enforce the terms of this Agreement as if it were Company itself enforcing the Agreement. Company reserves the right to assign this Agreement to its affiliates, an affiliated company or to any successor in interest to Company's business without notifying Executive, and Executive hereby consents to any such assignment. All terms and conditions of this Agreement will remain in effect following any such assignment. Notwithstanding the foregoing, Executive may not assign this Agreement.

**G. Non-Disparagement.**

At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive will not publicly disparage Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

**H. Survival.**

Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections II (A), (B) and (D), III, IV, and VI do and shall survive any termination of the Executive's employment and/or the assignment of this Agreement by Company to any successor in interest or other assignee.

**I. Section 409A of the Internal Revenue Code of 1986.**

1. To the extent applicable, it is intended that this Agreement comply with or be exempt from the provisions of Section 409A of the Internal Revenue Code of 1986 ("Section 409A"). This Agreement will be construed and administered in a manner consistent with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

2. Notwithstanding any other provision of this Agreement, if at the time of the Executive's termination of employment, he is a "specified employee", determined in accordance with Section 409A, any payments and benefits provided under this Agreement that constitute "nonqualified deferred compensation" subject to Section 409A that are provided to the Executive on account of his separation from service shall not be paid until the first payroll date to occur following the six-month anniversary of the Executive's termination date ("Specified Employee Payment Date"). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date without interest and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If the Executive dies during the six-month period, any delayed payments shall be paid to the Executive's estate in a lump sum upon the Executive's death.

3. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year.

(b) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

**J. Attorney's Fees.**

In any suit or proceeding to enforce the terms of this Agreement Executive and Company agree that the prevailing party in any such dispute shall be paid and indemnified by the non-prevailing party for and against all expenses of every nature and character incurred by in pursuing such suit or proceeding including, without limitation, all reasonable attorneys' fees, costs and disbursements.

**K. Headings for Convenience Only.**

The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

**EXECUTIVE ACKNOWLEDGES AND AGREES THAT EXECUTIVE HAS READ AND UNDERSTANDS THIS AGREEMENT, THAT EXECUTIVE HAS BEEN GIVEN AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THE TERMS OF THIS AGREEMENT, AND THAT EXECUTIVE AGREES TO THE TERMS OF THIS AGREEMENT.**

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

**EXECUTIVE**

**COMPANY**

By: /s/ Brannon Lacey

By: /s/ Todd Gilman

Name: Brannon Lacey

Name: Todd Gilman

Date: 9/25/2020

Title: Secretary

Date: 9/28/2020

By signing this Agreement, I accept and acknowledge that I will abide by the terms and conditions of this Agreement. I agree and understand that nothing in this Agreement shall confer any right with respect continuation of employment by Company, nor shall it interfere in any way with my right or Company's right to terminate my employment at any time, with or without cause.

**EXHIBIT A**  
**(OFFER LETTER)**



August 15, 2020

Brannon Lacey  
Austin, TX

Dear Brannon:

It is my pleasure to extend the following offer of employment to you on behalf of TrueBlue, Inc. We trust that your knowledge, skills and experience will be a valuable asset to our organization. Please note that this offer is based upon the following terms:

**Position:** President, PeopleScout

**Reporting to:** Patrick Beharelle, CEO

**Location:** Remote

**Base Salary:** \$465,000 annually (\$17,884.62 per pay period) paid on a bi-weekly basis and subject to applicable taxes. This is an exempt position.

**Annual Bonus Target:** \$ 465,000 (100% at target, of base salary)

**Annual Equity Grant:** \$ 465,000 (100% of base salary)

**Annual Compensation Target:** \$1,395,000

**One-time equity grants:** \$450,000 (RS stock award vesting equally over 3 years)

**One-time cash payment:** \$450,000 (Paid in full after the completion of 3 years of service)

**Start Date:** September 11, 2020

**Executive Bonus Plan:** You will be eligible to participate in our executive bonus plan. For 2020, you will be eligible for a pro-rated bonus based on your time in position and successful completion of your MBO's. Your MBO's will be agreed upon prior to the end of September 2020. In 2021, your plan has a target payout of 100% of your base salary. The bonus plan is based on a combination of company and individual performance as follows:

- 38% Individual MBO's
- 31% TrueBlue revenue vs. the revenue of our pre-determined peer group
- 31% PeopleScout EBITDA attainment
- 2021 targets - TBD

**One-time Equity Grant:** You will receive a one-time award of restricted shares having a value of \$450,000. The number of shares you receive will be based on the award value divided by the average closing price of our stock during the 60 trading days prior to the Grant Date. Shares will be granted on the first trading day of the month following your start date ("Grant Date"). These restricted shares will vest equally each year on anniversary of the Grant Date over three years per the terms of the grant agreement

**One-time Cash Payment:** You will receive a one-time cash payment of \$450,000. This will be paid in full after the completion of 3 years of service.

**Annual Equity Grant:** You will be eligible for an annual equity award of 100% of base salary. The award is currently comprised of restricted shares (50%) and performance share units (50%). Annual equity grants are typically granted in February and actual award values and equity components are subject to the approval of the Compensation Committee. Your first annual grant will be issued in February of 2021. Restricted shares will vest equally over three years on the anniversary date of the grant and per the terms of the grant agreement. Performance share units cliff vest after the completion of the 3- year cycle, pending return on equity performance.

**Post Termination Benefits:** You will be entitled to separation payments of 12 months after termination date. In addition, you will receive accelerated vesting of any previously awarded equity awards as though you had worked for the company for 12 months past the termination date. Additional information and conditions will be provided in your employment agreement, which will be sent as a separate document prior to close of business on August 17, 2020.

**Health & Welfare Benefits:** You will be eligible to enroll in the health benefits program beginning on your 3rd day of employment. Your benefits will be effective on your first day of employment.

**Employment and Related Agreements:** Upon your acceptance of this offer of employment, you will receive your employment agreements (Employment Agreement, Non-Competition Agreement, Indemnity Agreement, and Change in Control Agreement as applicable). You acknowledge the salary and equity awards described herein offer additional consideration for these agreements. Nothing in this offer letter itself is intended to be a contract of employment or a promise of specific treatment in specific situations unless expressly set forth herein, nor does this offer letter change your employment at-will status if you accept it. Subject to the terms of your Employment Agreement with the Company should you accept this offer, the Company reserves the right to modify your compensation, duties, reporting relationship, title or continued employment as circumstances dictate.

Brannon, we look forward to the opportunity of a mutually rewarding employment relationship. If you have any questions regarding this offer letter, please contact me.

Sincerely,

*/s/ Patrick Beharelle*  
Patrick Beharelle  
Chief Executive Officer, TrueBlue

**I have read and accept the terms of this employment offer.**

*/s/ Brannon Lacey*

Signature

8/18/2020

Date

## EXHIBIT B

### (SAMPLE) RELEASE OF CLAIMS

This Release of Claims (“Release”) is hereby executed by \_\_\_\_\_ (“Executive”) in accordance with the Employment Agreement between Executive and Company \_\_\_\_\_, Inc. (“Employer”), dated \_\_\_\_\_ (“Employment Agreement”).

#### RECITALS

- A. Employer and Executive are parties to the Employment Agreement.
- B. The Employment Agreement provides for certain payments and benefits to Executive upon termination of Executive’s employment under certain circumstances, provided that Executive signs and delivers to Employer upon such termination a Release in substantially the form of this Release, and does not revoke the same.
- C. Executive desires for Employer to make payments in accordance with the Employment Agreement and therefore executes this Release.

#### TERMS

1. Waiver, Release and Covenant. On behalf of Executive and Executive’s marital community, heirs, executors, administrators and assigns, Executive expressly waives, releases, discharges and acquits any and all claims against Employer and its present, former and future affiliates, related entities, predecessors, successors and assigns, and all of their present, former and future officers, directors, stockholders, employees, agents, partners, and members, in their individual and representative capacities (collectively “Released Parties”) that arise from or relate to Executive’s employment with Employer and/or the termination of such employment (“Released Claims”). This waiver and release includes any and all Released Claims (including claims to attorneys’ fees), damages, causes of action or disputes, whether known or unknown, based upon acts or omissions occurring or that could be alleged to have occurred before the execution of this Release. Released Claims include, without limitation, claims for wages, employee benefits, and damages of any kind whatsoever arising out of any: contract, express or implied; tort; discrimination; wrongful termination; any federal, state, local or other governmental statute or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act, as amended (“ADEA”); the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973; the Family and Medical Leave Act; the Employee Retirement Income Security Act of 1974, including but not limited to claims under Company-sponsored severance and termination pay plans, if any; and any other legal limitation on the employment relationship. Executive also covenants and promises never to file, press or join in any complaint or lawsuit for personal relief or any amounts of any nature based on any Released Claim and agrees that any such claim, if filed by Executive, shall be dismissed, except that this covenant and promise does not apply to any claim of Executive challenging the validity of this Release in connection with claims arising under the ADEA and/or the Older Workers’ Benefit Protection Act of 1990 (“OWBPA”). Executive represents and warrants that he is the sole owner of all Released Claims and has not assigned, transferred, or otherwise disposed of Executive’s right or interest in those matters. Notwithstanding the foregoing, this waiver and release does not apply to claims that arise after the date that the release is executed, claims to

vested benefits under ERISA, workers' compensation claims or any other claims that may not be released under this Release in accordance with applicable law.

2. Acknowledgment of Sufficiency of Consideration. Executive acknowledges and agrees that in the absence of Executive's execution of this Release, Employer is not obligated to provide Executive with the payment and benefits described in Section II(A)(2)(b) of the Employment Agreement, and that the payment and benefits set forth in Section II(A)(2)(b) of the Employment Agreement are adequate consideration for the covenants and release herein.

3. Covenants and Obligations under Employment Agreement. Nothing in this Release supersedes or restricts any obligations that Executive owes to Employer, including, without limitation, the obligation to protect Employer's interests in Confidential Information and trade secrets and inventions under the Employment Agreement and/or under applicable law, and/or Company's Non-Competition Agreement executed by Executive. Executive agrees to comply with all covenants that Executive has entered into with Company.

4. Non-Disparagement. At all times during the Executive's employment with Company and following termination of that employment by either Executive or Company, Executive agrees not to make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, including but not limited to any statements made via social media, on websites or blogs, that defame, disparage the Company or its Subsidiaries or any of their respective directors, officers or employees. Executive will not be in breach of this provision by providing information as required by law or legal compulsion.

Executive further understands and agrees that this paragraph is a material provision of this Agreement and that any breach of this paragraph shall be a material breach of this Agreement, and that the Company would be irreparably harmed by violation of this provision.

5. Disclosure. Executive acknowledges and warrants that s/he is not aware of, or that s/he has fully disclosed to the Company, any matters for which Executive was responsible or which came to Executive's attention as an employee of the Company that might give rise to, evidence, or support any claim of illegal conduct, regulatory violation, unlawful discrimination, or other cause of action against the Company.

6. Company Property. All records, files, lists, including computer generated lists, data, drawings, documents, equipment and similar items relating to the Company's business that Executive generated or received from the Company remains the Company's sole and exclusive property. Executive agrees to promptly return to the Company all property of the Company in his/her possession. Executive further represents that s/he has not copied or caused to be copied, printout, or caused to be printed out any documents or other material originating with or belonging to the Company. Executive additionally represents that s/he will not retain in her/his possession any such documents or other materials.

7. Review and Revocation Period. Executive has a period of seven (7) calendar days after delivering the executed Release to Employer to revoke the Release. To revoke, Executive must deliver a notice revoking Executive's agreement to this Release to the CEO of Employer. This Release shall become effective on the eighth day after delivery of this executed Release by Executive to Employer ("Effective Date"), provided that Executive has not revoked the Release. Employer shall have no obligation to provide Executive with any payment or benefits as described in Section 6 of the Employment Agreement if Executive revokes this Release.

8. Governing Law. This Release shall be interpreted in accordance with the law of the State of Washington, without regard to the conflicts of law provisions of such laws.

9. Severability. If any provision of this Release constitutes a violation of any law or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, shall be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, such provision, to the extent that it is in violation of law, unenforceable or void, shall be deemed severable from the remaining provisions of this Release, which shall remain binding.

10. Knowing and Voluntary Agreement. Executive hereby warrants and represents that (a) Executive has carefully read this Release and finds that it is written in a manner that he understands; (b) Executive knows the contents hereof; (c) Executive has been advised to consult with Executive's personal attorney regarding the Release and its effects and has done so; (d) Executive understands that Executive is giving up all Released Claims and all damages and disputes that have arisen before the date of this Release, except as provided herein; (e) Executive has had ample time to review and analyze this entire Release; (f) Executive did not rely upon any representation or statement concerning the subject matter of this Release, except as expressly stated in the Release; (g) Executive has been given at least twenty-one (21) days to consider this Release and seven (7) days to revoke this Release; (h) Executive understands the Release's final and binding effect; (i) Executive has signed this Release as Executive's free and voluntary act.

11. Arbitration and Venue. Employer and Executive agree that any claim arising out of or relating to this Release of Claims, or the breach of this Release of Claims, shall be submitted to and resolved by binding arbitration under the Federal Arbitration Act, except for claims where a temporary and/or preliminary or permanent injunction may be necessary to protect the interests of Company, or the employee. Employer and Executive agree that all claims shall be submitted to arbitration including, but not limited to, claims based on any alleged violation of Title VII or any other federal or state laws; claims of discrimination, harassment, retaliation, wrongful termination, compensation due or violation of civil rights; or any claim based in tort, contract, or equity. Any arbitration between Employer and Executive will be administered by the American Arbitration Association under its Employment Arbitration Rules then in effect. The award entered by the arbitrator will be based solely upon the law governing the claims and defenses pleaded, and will be final and binding in all respects. Judgment on the award may be entered in any court having jurisdiction. In any such arbitration, neither Executive nor Employer shall be entitled to join or consolidate claims in arbitration or arbitrate any claim as a representative or member of a class. Employer agrees to pay for the arbiter's fees where required by law. Where the parties have mutually waived their right to arbitration in writing or have not yet sought to enforce their right to compel arbitration, venue for any legal action in connection with this Release of Claims will be limited exclusively to the Washington State Superior Court for Pierce County, or the United States District Court for the Western District of Washington at Tacoma. Executive and Company agrees to submit to the personal jurisdiction of the courts identified herein, and agrees to waive any objection to personal jurisdiction in these courts including but not limited to any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

END OF EXHIBIT B  
(SAMPLE) RELEASE OF CLAIMS

## CERTIFICATION

I, A. Patrick Beharelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2020

*/s/ A. Patrick Beharelle*  
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A. Patrick Beharelle  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Derrek L. Gafford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2020

*/s/ Derrek L. Gafford*

Derrek L. Gafford

Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

We, A. Patrick Beharelle, the chief executive officer of TrueBlue, Inc. (the “company”), and Derrek L. Gafford, the chief financial officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report of the company on Form 10-Q, for the fiscal period ended September 27, 2020 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

*/s/ A. Patrick Beharelle*

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A. Patrick Beharelle  
Chief Executive Officer  
(Principal Executive Officer)

*/s/ Derrek L. Gafford*

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Derrek L. Gafford  
Chief Financial Officer  
(Principal Financial Officer)

October 26, 2020

A signed original of this written statement required by Section 906 has been provided to TrueBlue, Inc. and will be retained by TrueBlue, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.