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

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

For the quarterly period ended: September 26, 2021

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**

(State of incorporation)

**91-1287341**

(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**

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

Title of each class  
**Common stock, no par value**

Trading Symbol(s)  
**TBI**

Name of each exchange on which registered  
**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 15, 2021, there were 35,480,624 shares of the registrant's common stock outstanding.

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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 26, 2021	December 27, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49,173	\$ 62,507
Accounts receivable, net of allowance of \$3,964 and \$2,921	330,705	278,343
Prepaid expenses and other current assets	27,158	26,137
Income tax receivable	10,473	11,898
Total current assets	417,509	378,885
Property and equipment, net	86,414	71,734
Restricted cash and investments	223,832	240,534
Deferred income taxes, net	29,554	30,019
Goodwill	94,615	94,873
Intangible assets, net	23,769	28,929
Operating lease right-of-use assets, net	58,453	65,940
Workers' compensation claims receivable, net	59,240	52,934
Other assets, net	16,406	16,729
Total assets	\$ 1,009,792	\$ 980,577
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 62,706	\$ 58,447
Accrued wages and benefits	89,870	122,657
Current portion of workers' compensation claims reserve	60,936	66,007
Current operating lease liabilities	12,650	13,938
Other current liabilities	12,622	7,918
Total current liabilities	238,784	268,967
Workers' compensation claims reserve, less current portion	197,633	189,486
Long-term deferred compensation liabilities	27,915	26,361
Long-term operating lease liabilities	56,875	54,797
Other long-term liabilities	2,909	3,776
Total liabilities	524,116	543,387
Commitments and contingencies (Note 6)		
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; 35,455 and 35,493 shares issued and outstanding	1	1
Accumulated other comprehensive loss	(15,634)	(14,828)
Retained earnings	501,309	452,017
Total shareholders' equity	485,676	437,190
Total liabilities and shareholders' equity	\$ 1,009,792	\$ 980,577

*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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenue from services	\$ 577,031	\$ 474,530	\$ 1,551,692	\$ 1,327,726
Cost of services	430,529	364,066	1,158,148	1,007,878
Gross profit	146,502	110,464	393,544	319,848
Selling, general and administrative expense	118,748	90,100	326,657	304,681
Depreciation and amortization	6,426	7,652	20,405	24,002
Goodwill and intangible asset impairment charge	—	—	—	175,189
Income (loss) from operations	21,328	12,712	46,482	(184,024)
Interest expense and other income, net	581	(174)	1,880	(323)
Income (loss) before tax expense (benefit)	21,909	12,538	48,362	(184,347)
Income tax expense (benefit)	3,267	3,743	6,938	(34,480)
Net income (loss)	\$ 18,642	\$ 8,795	\$ 41,424	\$ (149,867)
Net income (loss) per common share:				
Basic	\$ 0.53	\$ 0.25	\$ 1.19	\$ (4.20)
Diluted	\$ 0.53	\$ 0.25	\$ 1.17	\$ (4.20)
Weighted average shares outstanding:				
Basic	34,873	34,597	34,788	35,643
Diluted	35,475	34,904	35,255	35,643
Other comprehensive income (loss):				
Foreign currency translation adjustment	\$ (1,296)	\$ 386	\$ (806)	\$ (4,141)
Comprehensive income (loss)	\$ 17,346	\$ 9,181	\$ 40,618	\$ (154,008)

*See accompanying notes to consolidated financial statements*

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

<i>(in thousands)</i>	Thirty-nine weeks ended	
	September 26, 2021	September 27, 2020
Cash flows from operating activities:		
Net income (loss)	\$ 41,424	\$ (149,867)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	20,405	24,002
Goodwill and intangible asset impairment charge	—	175,189
Provision for credit losses	2,881	6,582
Stock-based compensation	10,149	6,762
Deferred income taxes	445	(25,955)
Non-cash lease expense	11,173	11,115
Other operating activities	(1,484)	1,944
Changes in operating assets and liabilities:		
Accounts receivable	(53,626)	55,408
Income tax receivable	963	(4,928)
Operating lease right-of-use asset	7,150	—
Other assets	(7,003)	(2,646)
Accounts payable and other accrued expenses	3,212	(12,723)
Other accrued wages and benefits	24,278	(7,395)
Deferred employer payroll taxes	(57,066)	36,312
Workers' compensation claims reserve	3,075	(824)
Operating lease liabilities	(10,017)	(11,410)
Other liabilities	4,598	(2,798)
Net cash provided by operating activities	557	98,768
Cash flows from investing activities:		
Capital expenditures	(28,772)	(16,244)
Purchases of restricted available-for-sale investments	(29)	(2,310)
Sales of restricted available-for-sale investments	793	3,212
Purchases of restricted held-to-maturity investments	—	(32,495)
Maturities of restricted held-to-maturity investments	18,346	24,358
Net cash used in investing activities	(9,662)	(23,479)
Cash flows from financing activities:		
Purchases and retirement of common stock	—	(52,346)
Net proceeds from employee stock purchase plans	754	734
Common stock repurchases for taxes upon vesting of restricted stock	(3,035)	(2,331)
Net change in revolving credit facility	—	(35,600)
Other	(270)	(1,436)
Net cash used in financing activities	(2,551)	(90,979)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(613)	(466)
Net change in cash, cash equivalents and restricted cash	(12,269)	(16,156)
Cash, cash equivalents and restricted cash, beginning of period	118,612	92,371
Cash, cash equivalents and restricted cash, end of period	\$ 106,343	\$ 76,215
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid (received) during the period for:		
Interest	\$ 1,174	\$ 2,672
Income taxes	5,522	(3,414)
Operating lease liabilities	12,402	13,147
Non-cash transactions:		
Property and equipment purchased but not yet paid	2,394	1,614
Right-of-use assets obtained in exchange for new operating lease liabilities	10,739	8,672

*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.

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the coronavirus (“COVID-19”) pandemic, are uncertain and difficult to predict. Therefore, our accounting estimates and assumptions could change materially in future periods.

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 27, 2020. The results of operations for the thirty-nine weeks ended September 26, 2021 are not necessarily indicative of the results expected for the full fiscal year nor for any other fiscal period.

#### *Reclassifications*

Certain previously reported immaterial prior year amounts have been reclassified within current liabilities on our Consolidated Balance Sheets to conform to current year presentation. Additionally, we have separately presented deferred employer payroll taxes from prior period reported amounts within operating activities on our Consolidated Statements of Cash Flows.

#### *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, 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. We test for goodwill impairment at the reporting unit level. We consider our operating segments to be our reporting units for goodwill impairment testing. Our operating segments are PeopleReady, PeopleManagement On-Site, PeopleManagement Centerline, PeopleScout RPO, and PeopleScout MSP. The impairment test involves 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 involves the use of significant estimates and assumptions to evaluate the impact of operational and macroeconomic changes on each reporting unit. We estimate the fair value of each reporting unit using a weighted average of the income and market valuation approaches. The income approach applies a fair value methodology based on discounted cash flows. This analysis requires significant estimates and judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit being tested. We also apply a market approach, which identifies similar publicly traded companies and develops a correlation, referred to as a multiple, to apply to the operating results of the reporting units. The primary market multiples to which we compare are revenue and earnings before interest, taxes, depreciation, and amortization. We base fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We consider a reporting unit's fair value to be substantially in excess of its carrying value at a 20% premium or greater. Based on our 2021 annual impairment test performed as of March 29, 2021, all of our reporting units' fair values were substantially in excess of their respective carrying values. 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 29, 2021 to September 26, 2021.

### Government incentives

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which among other things, provided employer payroll tax credits for wages paid to employees who are unable to work during the COVID-19 outbreak. Additionally, we were allowed to delay payments for the employer portion of social security taxes (6.2% of taxable wages) incurred between March 27, 2020 and December 31, 2020, for both our temporary associates and permanent employees. Deferred employer payroll taxes of \$59.9 million were paid in full on September 15, 2021.

### Recently adopted accounting standards

There were no new accounting standards adopted during the thirty-nine weeks ended September 26, 2021 that had an impact on our financial statements.

### Recently issued accounting standards not yet adopted

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

## 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:

(in thousands)	September 26, 2021			
	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	\$ 49,173	\$ 49,173	\$ —	\$ —
Restricted cash and cash equivalents	57,170	57,170	—	—
Cash, cash equivalents and restricted cash (1)	\$ 106,343	\$ 106,343	\$ —	\$ —
Municipal debt securities	\$ 61,255	\$ —	\$ 61,255	\$ —
Corporate debt securities	73,622	—	73,622	—
Agency mortgage-backed securities	200	—	200	—
U.S. government and agency securities	1,089	—	1,089	—
Restricted investments classified as held-to-maturity (2)	\$ 136,166	\$ —	\$ 136,166	\$ —
Deferred compensation investments (3)	\$ 6,254	\$ 6,254	\$ —	\$ —

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)	December 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	\$ 62,507	\$ 62,507	\$ —	\$ —
Restricted cash and cash equivalents	56,105	56,105	—	—
Cash, cash equivalents and restricted cash (1)	\$ 118,612	\$ 118,612	\$ —	\$ —
Municipal debt securities	\$ 70,723	\$ —	\$ 70,723	\$ —
Corporate debt securities	85,937	—	85,937	—
Agency mortgage-backed securities	512	—	512	—
U.S. government and agency securities	1,124	—	1,124	—
Restricted investments classified as held-to-maturity (2)	\$ 158,296	\$ —	\$ 158,296	\$ —
Deferred compensation investments (3)	\$ 5,915	\$ 5,915	\$ —	\$ —

(1) Cash, cash equivalents and restricted cash include money market funds and deposits.

(2) Refer to Note 3: *Restricted Cash and Investments* for additional details on our held-to-maturity debt securities.

(3) Deferred compensation investments consist of mutual funds and money market funds. Refer to Note 3: *Restricted Cash and Investments* for additional details on these investments.

**NOTE 3: RESTRICTED CASH AND INVESTMENTS**

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

(in thousands)	September 26, 2021	December 27, 2020
Cash collateral held by insurance carriers	\$ 28,682	\$ 26,025
Cash and cash equivalents held in Trust	27,370	29,410
Investments held in Trust	132,127	152,247
Deferred compensation investments	6,254	5,915
Company-owned life insurance policies	28,281	26,267
Other restricted cash and cash equivalents	1,118	670
Total restricted cash and investments	\$ 223,832	\$ 240,534

*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 26, 2021 and December 27, 2020, were as follows:

(in thousands)	September 26, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	\$ 58,719	\$ 2,536	\$ —	\$ 61,255
Corporate debt securities	72,218	1,585	(181)	73,622
Agency mortgage-backed securities	193	7	—	200
U.S. government and agency securities	997	92	—	1,089
Total held-to-maturity investments	\$ 132,127	\$ 4,220	\$ (181)	\$ 136,166



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>(in thousands)</i>	December 27, 2020			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	\$ 67,287	\$ 3,436	\$ —	\$ 70,723
Corporate debt securities	83,467	2,511	(41)	85,937
Agency mortgage-backed securities	493	19	—	512
U.S. government and agency securities	1,000	124	—	1,124
Total held-to-maturity investments	\$ 152,247	\$ 6,090	\$ (41)	\$ 158,296

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

<i>(in thousands)</i>	September 26, 2021	
	Amortized cost	Fair value
Due in one year or less	\$ 24,342	\$ 24,572
Due after one year through five years	103,803	107,368
Due after five years through ten years	3,982	4,226
Total held-to-maturity investments	\$ 132,127	\$ 136,166

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 26, 2021 and September 27, 2020, included in selling, general and administrative 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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Unrealized gains (losses)	\$ 391	\$ 1,452	\$ 2,817	\$ (258)

#### **NOTE 4: SUPPLEMENTAL BALANCE SHEET INFORMATION**

##### *Accounts receivable allowance for credit losses*

The activity related to the accounts receivable allowance for credit losses was as follows:

<i>(in thousands)</i>	Thirty-nine weeks ended	
	September 26, 2021	September 27, 2020
Beginning balance	\$ 2,921	\$ 4,288
Cumulative-effect adjustment (1)	—	524
Current period provision	2,881	6,582
Write-offs	(1,827)	(5,925)
Foreign currency translation	(11)	(22)
Ending balance	\$ 3,964	\$ 5,447

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Prepaid expenses and other current assets*

<i>(in thousands)</i>	September 26, 2021	December 27, 2020
Prepaid software agreements	\$ 8,107	\$ 8,643
Other prepaid expenses	9,825	8,631
Other current assets	9,226	8,863
Prepaid expenses and other current assets	\$ 27,158	\$ 26,137

*Other current liabilities*

<i>(in thousands)</i>	September 26, 2021	December 27, 2020
Deferred revenue	\$ 6,483	\$ 1,167
Other current liabilities	6,139	6,751
Other current liabilities	\$ 12,622	\$ 7,918

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

We provide workers' compensation insurance for our associates 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 1.6% and 1.8% at September 26, 2021 and December 27, 2020, respectively. Payments made against self-insured claims are made over a weighted average period of approximately 5.5 years as of September 26, 2021.

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>	September 26, 2021	December 27, 2020
Undiscounted workers' compensation reserve	\$ 275,398	\$ 273,502
Less discount on workers' compensation reserve	16,829	18,009
Workers' compensation reserve, net of discount	258,569	255,493
Less current portion	60,936	66,007
Long-term portion	\$ 197,633	\$ 189,486

Payments made against self-insured claims were \$32.0 million and \$40.6 million for the thirty-nine weeks ended September 26, 2021 and September 27, 2020, 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. The rates used to discount excess claims incurred during the thirty-nine weeks ended September 26, 2021 and fifty-two weeks ended December 27, 2020 were 1.6% and 1.3%, respectively. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 17 years. The discounted workers' compensation reserve for excess claims was \$60.6 million and \$54.0 million, as of September 26, 2021 and December 27, 2020, respectively. The discounted receivables from insurance companies, net of valuation allowance, were \$59.2 million and \$52.9 million as of September 26, 2021 and December 27, 2020, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 \$ 13.3 million and \$14.4 million was recorded in cost of services on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen weeks ended September 26, 2021 and September 27, 2020, respectively, and \$32.7 million and \$38.0 million for the thirty-nine weeks ended September 26, 2021 and September 27, 2020, respectively.

**NOTE 6: 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 26, 2021	December 27, 2020
Cash collateral held by workers' compensation insurance carriers	\$ 22,786	\$ 22,253
Cash and cash equivalents held in Trust	27,370	29,410
Investments held in Trust	132,127	152,247
Letters of credit (1)	6,160	6,095
Surety bonds (2)	21,969	20,616
<b>Total collateral commitments</b>	<b>\$ 210,412</b>	<b>\$ 230,621</b>

(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 and are immaterial. We also believe that the aggregate range of reasonably possible losses for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite our current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7: 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 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
<b>Common stock shares</b>				
Beginning balance	35,510	36,052	35,493	38,593
Purchases and retirement of common stock	—	(627)	—	(3,557)
Net issuance under equity plans, including tax benefits	(55)	48	(72)	387
Stock-based compensation	—	(23)	34	27
Ending balance	35,455	35,450	35,455	35,450
<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	479,567	430,525	452,017	639,210
Net income (loss)	18,642	8,795	41,424	(149,867)
Purchases and retirement of common stock (1)	—	—	—	(52,346)
Net issuance under equity plans, including tax benefits	(133)	(177)	(2,281)	(1,597)
Stock-based compensation	3,233	2,417	10,149	6,762
Change in accounting standard cumulative-effect adjustment (2)	—	—	—	(602)
Ending balance	501,309	441,560	501,309	441,560
<b>Accumulated other comprehensive loss</b>				
Beginning balance, net of tax	(14,338)	(17,765)	(14,828)	(13,238)
Foreign currency translation adjustment	(1,296)	386	(806)	(4,141)
Ending balance, net of tax	(15,634)	(17,379)	(15,634)	(17,379)
Total shareholders' equity ending balance	\$ 485,676	\$ 424,182	\$ 485,676	\$ 424,182

- (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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8: 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 full year pre-tax 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.

Our effective income tax rate for the thirty-nine weeks ended September 26, 2021 was 4.3%. The difference between the statutory federal income tax rate of 21% and our effective tax rate was primarily due to hiring credits, including the Work Opportunity Tax Credit ("WOTC"), offset by state income taxes. 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 and non-taxable items and tax effects of stock-based compensation.

### NOTE 9: NET INCOME (LOSS) PER SHARE

Diluted common shares were calculated as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
<i>(in thousands, except per share data)</i>				
Net income (loss)	\$ 18,642	\$ 8,795	\$ 41,424	\$ (149,867)
Weighted average number of common shares used in basic net income (loss) per common share	34,873	34,597	34,788	35,643
Dilutive effect of non-vested stock-based awards	602	307	467	—
Weighted average number of common shares used in diluted net income (loss) per common share	35,475	34,904	35,255	35,643
Net income (loss) per common share:				
Basic	\$ 0.53	\$ 0.25	\$ 1.19	\$ (4.20)
Diluted	\$ 0.53	\$ 0.25	\$ 1.17	\$ (4.20)
Anti-dilutive shares	24	595	47	1,006

### NOTE 10: 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, and general labor.

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:

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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:

<i>(in thousands)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenue from services:				
<b>Contingent staffing</b>				
PeopleReady	\$ 349,056	\$ 293,546	\$ 908,764	\$ 801,991
PeopleManagement	157,789	147,241	461,899	407,516
<b>Human resource outsourcing</b>				
PeopleScout	70,186	33,743	181,029	118,219
<b>Total company</b>	<b>\$ 577,031</b>	<b>\$ 474,530</b>	<b>\$ 1,551,692</b>	<b>\$ 1,327,726</b>

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

<i>(in thousands)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Segment profit:				
PeopleReady	\$ 24,690	\$ 18,714	\$ 54,987	\$ 27,002
PeopleManagement	2,360	4,574	8,697	6,063
PeopleScout	9,778	349	24,672	75
Total segment profit	36,828	23,637	88,356	33,140
Corporate unallocated	(7,667)	(5,968)	(20,593)	(16,106)
Third-party processing fees for hiring tax credits	(419)	(174)	(584)	(309)
Amortization of software as a service assets	(670)	(575)	(1,989)	(1,692)
Goodwill and intangible asset impairment charge	—	—	—	(175,189)
Workforce reduction costs	(110)	(270)	(194)	(12,589)
COVID-19 government subsidies, net	92	4,071	4,131	7,175
Other benefits (costs)	(300)	(357)	(2,240)	5,548
Depreciation and amortization	(6,426)	(7,652)	(20,405)	(24,002)
Income (loss) from operations	21,328	12,712	46,482	(184,024)
Interest expense and other income, net	581	(174)	1,880	(323)
<b>Income (loss) before tax expense (benefit)</b>	<b>\$ 21,909</b>	<b>\$ 12,538</b>	<b>\$ 48,362</b>	<b>\$ (184,347)</b>

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

**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 of Financial Condition and Results of Operations" (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.*

**OVERVIEW**

TrueBlue, Inc. (the "company," "TrueBlue," "we," "us" and "our") is a leading provider of specialized workforce solutions that help our clients improve productivity and grow their businesses. Our operations are managed as three business segments: PeopleReady, PeopleManagement and PeopleScout. 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. See Note 10: *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.

**The COVID-19 pandemic**

Beginning in early 2020, the coronavirus ("COVID-19") pandemic has led to a series of significant economic disruptions globally. Throughout the pandemic, our business has remained open and we have continued to provide key services to essential businesses and other businesses as COVID-19 restrictions have lifted. Currently in our two largest markets, the United States of America ("U.S.") and Canada, vaccinations continue to be a top priority and are being supported by governmental programs. As of October 18, 2021, approximately 57% of the U.S. and 73% of the Canadian populations have been fully vaccinated. While the vaccination programs have helped to reopen these markets, we continue to monitor the pandemic's evolution closely. Despite an uneven recovery in certain markets and industries, we are seeing growth in new client wins and higher existing client volumes, particularly in those markets and industries hit hardest by COVID-19. In addition, our continued focus on efficiently managing costs while investing in digital strategies and sales resources has allowed us to accelerate our strategic priorities and emerge stronger as the economy recovers.

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.

**Third quarter of 2021 highlights****Revenue from services**

Total company revenue grew 21.6% to \$577.0 million for the thirteen weeks ended September 26, 2021, compared to the same period in the prior year. The increase was due to the recovery of client demand for our services, which experienced a significant drop in the prior year due to the negative impact of the COVID-19 pandemic. This increase is primarily driven by improving volumes from existing clients, including clients in industries that were disproportionately impacted by COVID-19, as well as new client wins.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- PeopleReady, our largest segment by revenue, experienced revenue growth of 18.9% to \$349.1 million for the thirteen weeks ended September 26, 2021, compared to the same period in the prior year. PeopleReady provides a wide range of staffing solutions for on-demand contingent general and skilled labor. PeopleReady has seen a continued recovery across most geographies and industries, especially those in industries that were hit the hardest by COVID-19, such as construction, transportation, manufacturing, retail and hospitality. The growth in demand was partially offset by a shortage in the supply of workers in certain markets that we believe has been temporarily impacted by government responses to COVID-19, which have included stimulus checks, elevated federal unemployment benefits, accelerated payments of the child tax credit, and other direct payments to individuals. Even as workers have exited federal and state unemployment programs late in the third quarter of 2021, we believe workers have been slow to return to the workforce for many reasons including health or childcare concerns, and instead are relying on personal savings or other means to supplement their income until they choose to return to work. As compared to our other segments, PeopleReady experienced the most pressure on the available supply of workers, primarily due to a lower average wage, the temporary nature of the positions, and the shorter notice period we receive to fill open positions.
- PeopleManagement, our second largest segment by revenue, experienced revenue growth of 7.2% to \$157.8 million for the thirteen weeks ended September 26, 2021, compared to the same period in the prior year. PeopleManagement supplies an outsourced workforce that involves multi-year, multi-million dollar on-site and driver relationships. PeopleManagement continued to see revenue growth during the fiscal third quarter of 2021 compared to the same period in the prior year due to significant new client wins. Estimated annualized revenue from new client wins during the thirty-nine weeks ended September 26, 2021 was \$86 million, as compared to the average of the prior three years of approximately \$60 million. However, the pace of revenue recovery slowed due to worker supply and supply chain related production slow-downs in key industries, such as automotive, manufacturing and retail.
- PeopleScout, our smallest segment by revenue, experienced revenue growth of 108.0% to \$70.2 million for the thirteen weeks ended September 26, 2021, compared to the same period in the prior year. PeopleScout offers RPO and MSP solutions. PeopleScout has seen a strong recovery in volume from existing clients, especially those in industries that were hit hardest by COVID-19, such as travel and leisure, as well as new client wins. New client wins contributed \$5.4 million of revenue for the thirteen weeks ended September 26, 2021 within a variety of industries including retail, health care and transportation. Estimated annualized revenue from new client wins during the thirty-nine weeks ended September 26, 2021 was \$38 million, as compared to the average of the prior three years of approximately \$9 million.

### Gross profit

Total company gross profit as a percentage of revenue for the thirteen weeks ended September 26, 2021 increased by 210 basis points to 25.4%, compared to 23.3% for the same period in the prior year. Our staffing businesses contributed 110 basis points of improvement, primarily attributable to a benefit of 70 basis points due to lower workers' compensation expense as a result of a reduction to prior year reserves associated with favorable patterns in claim development, and the remaining 40 basis points due to increased sales mix from our PeopleReady segment, which has a higher gross margin profile than PeopleManagement, our other staffing segment. Our PeopleScout business contributed the remaining 100 basis points of expansion from improved recruiter utilization on increasing volumes.

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

Total company SG&A expense increased by \$28.6 million to \$118.7 million, or 20.6% of revenue for the thirteen weeks ended September 26, 2021, compared to \$90.1 million, or 19.0% of revenue for the same period in the prior year, an increase of 160 basis points. The prior period included a \$4.0 million reduction to SG&A due to government employment subsidies which did not recur in the current period, driving an increase of 80 basis points. The remaining 80 basis point increase was due to the temporary cost saving actions from 2020 which were discontinued as revenue trends improved. We have continued to balance cost discipline with preserving our operational strengths, which has positioned us well for growth as economic conditions continue to improve.

### Income from operations

Total company income from operations was \$21.3 million, or 3.7% of revenue for the thirteen weeks ended September 26, 2021, compared to \$12.7 million, or 2.7% of revenue for the same period in the prior year. The increase in income from operations was due to improving revenue trends led by recovering industry performance, including those disproportionately impacted by COVID-19, a series of new client wins, and expanding gross margin, which collectively increased income from operations margin by 100 basis points.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net income

Net income was \$18.6 million, or \$0.53 per diluted share for the thirteen weeks ended September 26, 2021, compared to \$8.8 million, or \$0.25 per diluted share for the same period in the prior year. Net income for the thirteen weeks ended September 26, 2021 includes income tax expense of \$3.3 million resulting in an effective tax rate of 14.9%, compared to an expense of \$3.7 million and an effective tax rate of 29.9% for the same period in the prior year. The higher effective tax rate in the prior year was due to lower benefits from hiring credits, primarily the federal Work Opportunity Tax Credit ("WOTC"), and the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The difference between our statutory tax rate of 21% and our effective income tax rate results primarily from hiring credits, including WOTC, and the CARES Act. WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. 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 where the federal tax rate was 35%.

### Additional highlights

As of September 26, 2021, we were in a strong financial position with cash and cash equivalents of \$49.2 million, no outstanding debt and \$293.8 million available under our revolving credit agreement ("Revolving Credit Facility"), for total liquidity of \$343.0 million.

## RESULTS OF OPERATIONS

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

- **PeopleReady** provides access to qualified associates through a wide range of staffing solutions for on-demand contingent general and skilled labor. PeopleReady connects people with work in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, retail, waste and recycling, energy, hospitality and general labor. As of December 27, 2020, we had a network of 629 branches across all 50 states, Canada and Puerto Rico. Complementing our branch network is our industry-leading mobile app, JobStack™, which connects people with work 24 hours a day, seven days a week. This creates a virtual exchange between our associates and clients, and allows our branch resources to expand their recruiting, sales and service delivery efforts. JobStack is competitively differentiating our services, expanding our reach into new demographics, and improving our service delivery and work order fill rates, as we embrace a digital future.
- **PeopleManagement** provides recruitment and on-site management of a facility's contingent industrial workforce throughout the U.S., Canada and Puerto Rico. In comparison with PeopleReady, services are larger in scale and longer in duration, and dedicated service teams are located at the client's facility. We provide scalable solutions to meet the volume requirements of labor-intensive manufacturing, warehouse and distribution facilities. Our dedicated service teams work closely with on-site management as an integral part of the production and logistics process, managing all or a subset of the contingent labor for a facility or operational function. Our on-site staffing solutions provide large-scale sourcing, screening, recruiting and management of the contingent workforce at a client's facility in order to achieve faster hiring, lower total workforce cost, increase safety and compliance, improve retention, create greater volume flexibility, and enhance strategic decision-making through robust reporting and analytics. Our On-Site operating segment includes our Staff Management | SMX and SIMOS Insourcing Solutions branded service offerings, which provide hourly and productivity-based (cost per unit) pricing options for industrial staffing solutions. Client contracts are generally multi-year in duration. The productivity-based pricing leverages a strategically engineered on-site solution to incentivize performance improvements in cost, quality and on-time delivery using a fixed price-per-unit approach. Both hourly and productivity-based pricing are impacted by factors such as geography, volume, job type, and degree of recruiting difficulty.

PeopleManagement also provides dedicated and contingent commercial truck drivers to the transportation and distribution industries through our Centerline Drivers ("Centerline") brand. Centerline delivers drivers specifically matched to each client's needs, allowing them to improve productivity, control costs, ensure compliance, and deliver improved service.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- PeopleScout** offers RPO and MSP solutions to a wide variety of industries and geographies, primarily in the U.S., Canada, the United Kingdom and Australia. PeopleScout provides RPO services that manage talent solutions spanning the global economy and talent advisory capabilities supporting total workforce needs. We are recognized as an industry leader for RPO services. Our solution is highly scalable and flexible, which allows for 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. Client contracts are generally multi-year in duration and pricing is typically composed of a fee for each hire and talent consulting fees. Pricing is impacted by factors such as geography, volume, job type, degree of recruiting difficulty, and the scope of outsourced recruitment and employer branding services included.

PeopleScout also includes our MSP business, which manages our clients' contingent labor programs including vendor selection, performance management, compliance monitoring and risk management. As the client's exclusive MSP, we have dedicated service delivery teams which work as an integrated partner with our clients to increase the productivity of their contingent workforce program.

### Total company results

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 26, 2021	% of revenue	Sep 27, 2020	% of revenue	Sep 26, 2021	% of revenue	Sep 27, 2020	% of revenue
Revenue from services	\$ 577,031		\$ 474,530		\$ 1,551,692		\$ 1,327,726	
Gross profit	\$ 146,502	25.4 %	\$ 110,464	23.3 %	\$ 393,544	25.4 %	\$ 319,848	24.1 %
Selling, general and administrative expense	118,748	20.6	90,100	19.0	326,657	21.1	304,681	22.9
Depreciation and amortization	6,426	1.1	7,652	1.6	20,405	1.3	24,002	1.8
Goodwill and intangible asset impairment charge	—	—	—	—	—	—	175,189	13.3
Income (loss) from operations	21,328	3.7 %	12,712	2.7 %	46,482	3.0 %	(184,024)	(13.9)%
Interest expense and other income, net	581		(174)		1,880		(323)	
Income (loss) before tax expense (benefit)	21,909		12,538		48,362		(184,347)	
Income tax expense (benefit)	3,267		3,743		6,938		(34,480)	
Net income (loss)	\$ 18,642	3.2 %	\$ 8,795	1.9 %	\$ 41,424	2.7 %	\$ (149,867)	(11.3)%
Net income (loss) per diluted share	\$ 0.53		\$ 0.25		\$ 1.17		\$ (4.20)	

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Revenue from services

Revenue from services by reportable segment was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended					Thirty-nine weeks ended				
	Sep 26, 2021	Growth %	Segment % of total	Sep 27, 2020	Segment % of total	Sep 26, 2021	Growth %	Segment % of total	Sep 27, 2020	Segment % of total
Revenue from services:										
PeopleReady	\$ 349,056	18.9 %	60.5 %	\$ 293,546	61.9 %	\$ 908,764	13.3 %	58.5 %	\$ 801,991	60.4 %
PeopleManagement	157,789	7.2 %	27.3	147,241	31.0	461,899	13.3 %	29.8	407,516	30.7
PeopleScout	70,186	108.0 %	12.2	33,743	7.1	181,029	53.1 %	11.7	118,219	8.9
Total company	\$ 577,031	21.6 %	100.0 %	\$ 474,530	100.0 %	\$ 1,551,692	16.9 %	100.0 %	\$ 1,327,726	100.0 %

Our PeopleReady and PeopleManagement segments supply contingent workforce solutions to minimize the cost and effort of hiring and managing permanent employees. This allows for a rapid response to uncertain business conditions through the ability to replace absent employees, fill new positions, and convert fixed or permanent labor costs to variable costs.

Our PeopleScout segment transitions our clients' internal human resources and labor procurement functions to PeopleScout on a permanent or project basis. Human resource departments are faced with increasingly complex operational and regulatory requirements, increased candidate expectations, an expanding talent technology landscape, and pressure to achieve efficiencies, which increase the need to migrate non-core functions to outsourced providers like PeopleScout. PeopleScout can more effectively find and engage high-quality talent, leverage talent acquisition technology, and scale their talent acquisition function to keep pace with changing business needs.

As a result of the factors above, client demand for contingent workforce solutions and outsourced recruiting services are dependent on the overall strength of the economy and labor market, and trends in workforce flexibility.

Total company revenue grew 21.6% to \$577.0 million for the thirteen weeks ended September 26, 2021, and grew 16.9% to \$1,551.7 million for the thirty-nine weeks ended September 26, 2021, compared to the same periods in the prior year, respectively. The increase was due to the recovery of client demand for our services, which experienced a significant drop in the prior year due to the negative impact of the COVID-19 pandemic. This increase was primarily driven by improving volumes from existing clients, including clients in industries that were disproportionately impacted by COVID-19, as well as new client wins.

### PeopleReady

PeopleReady revenue grew to \$349.1 million for the thirteen weeks ended September 26, 2021, an 18.9% increase compared to the same period in the prior year, and grew to \$908.8 million for the thirty-nine weeks ended September 26, 2021, a 13.3% increase compared to the same period in the prior year. PeopleReady has seen improved revenue trends across most geographies and industries, especially those in industries that were hit the hardest by COVID-19, such as construction, transportation, manufacturing, retail and hospitality. The growth in demand was partially offset by a shortage in the supply of workers in certain markets that we believe has been temporarily impacted by government responses to COVID-19, which have included stimulus checks, elevated federal unemployment benefits, accelerated payments of the child tax credit, and other direct payments to individuals. Even as workers have exited federal and state unemployment programs late in the third quarter of 2021, we believe workers have been slow to return to the workforce for many reasons including health or childcare concerns, and instead are relying on personal savings or other means to supplement their income until they choose to return to work. As compared to our other segments, PeopleReady experienced the most pressure on the available supply of workers, primarily due to a lower average wage, the temporary nature of the positions, and the shorter notice period we receive to fill open positions.

We believe the revenue growth has been supported by the use of our industry-leading JobStack mobile app that digitally connects workers with jobs. During the third quarter of 2021, PeopleReady dispatched approximately 940,000 shifts via JobStack and achieved a digital fill rate of 58%, an improvement of seven percentage points compared to the same period in the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### PeopleManagement

PeopleManagement revenue grew to \$157.8 million for the thirteen weeks ended September 26, 2021, a 7.2% increase compared to the same period in the prior year, and grew to \$461.9 million for the thirty-nine weeks ended September 26, 2021, a 13.3% increase compared to the same period in the prior year. PeopleManagement continued to see revenue growth due to significant new client wins. Estimated annualized revenue from new client wins during the thirty-nine weeks ended September 26, 2021 was \$86 million, as compared to the average of the prior three years of approximately \$60 million. However, the pace of revenue recovery slowed due to worker supply and supply chain related production slow-downs in key industries, such as automotive, manufacturing and retail.

### PeopleScout

PeopleScout revenue grew to \$70.2 million for the thirteen weeks ended September 26, 2021, a 108.0% increase compared to the same period in the prior year, and grew to \$181.0 million for the thirty-nine weeks ended September 26, 2021, a 53.1% increase compared to the same period in the prior year. PeopleScout has seen a strong recovery in volume from existing clients, especially those in industries that were hit the hardest by COVID-19, such as travel and leisure, as well as new client wins. New client wins contributed \$5.4 million of revenue for the thirteen weeks ended September 26, 2021 within a variety of industries including retail, health care and transportation. Estimated annualized revenue from new client wins during the thirty-nine weeks ended September 26, 2021 was \$38 million, as compared to the average of the prior three years of approximately \$9 million.

### Gross profit

Gross profit was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Gross profit	\$ 146,502	\$ 110,464	\$ 393,544	\$ 319,848
Percentage of revenue	25.4 %	23.3 %	25.4 %	24.1 %

Gross profit as a percentage of revenue grew 210 basis points to 25.4% for the thirteen weeks ended September 26, 2021, compared to 23.3% for the same period in the prior year. Our staffing businesses contributed 110 basis points of improvement, primarily attributable to a benefit of 70 basis points due to lower workers' compensation expense as a result of a reduction to prior year reserves associated with favorable patterns in claim development, and the remaining 40 basis points due to increased sales mix from our PeopleReady segment, which has a higher gross margin profile than PeopleManagement, our other staffing segment. Our PeopleScout business contributed the remaining 100 basis points of expansion from improved recruiter utilization on increasing volumes.

Gross profit as a percentage of revenue grew 130 basis points to 25.4% for the thirty-nine weeks ended September 26, 2021, compared to 24.1% for the same period in the prior year. Our staffing businesses contributed 10 basis points of improvement, primarily attributable to a benefit of 60 basis points due to lower workers' compensation expense as a result of a reduction to prior year reserves largely associated with favorable patterns in claim development, offset by 50 basis points of compression from a non-recurring benefit in the prior year related to a reduction in expected costs to comply with the Affordable Care Act. Our PeopleScout business contributed the remaining 120 basis points of expansion, with 30 basis points due to workforce reduction costs incurred in the prior year and 90 basis points from improved recruiter utilization on increasing volumes.

### SG&A expense

SG&A expense was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Selling, general and administrative expense	\$ 118,748	\$ 90,100	\$ 326,657	\$ 304,681
Percentage of revenue	20.6 %	19.0 %	21.1 %	22.9 %

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Total company SG&A expense increased by \$28.6 million to \$118.7 million, or 20.6% of revenue for the thirteen weeks ended September 26, 2021, compared to \$90.1 million, or 19.0% of revenue for the same period in the prior year. As a percentage of revenue, SG&A increased 160 basis points. The prior period included a \$4.0 million reduction to SG&A due to government employment subsidies which did not recur in the current period, driving an increase of 80 basis points. We took steps during fiscal 2020 to reduce SG&A expense while preserving our operational strengths, to ensure the business was well-positioned for growth as economic conditions improved. Our focus on efficiently managing costs while ensuring we continue to invest in sales resources and digital strategies has allowed us to accelerate our strategic priorities and emerge stronger as the economy continues to recover. The remaining 80 basis point increase was due to the temporary cost saving actions from 2020 which were discontinued as revenue trends improved.

Total company SG&A expense increased by \$22.0 million to \$326.7 million, or 21.1% of revenue for the thirty-nine weeks ended September 26, 2021, compared to \$304.7 million, or 22.9% of revenue for the same period in the prior year. As a percentage of revenue, SG&A decreased 180 basis points. The prior period included workforce reduction costs of \$8.9 million incurred as a result of COVID-19, a decrease of 70 basis points. This was partially offset by a reduction in government employment subsidies received in the current year of \$3.4 million as compared to the same period in the prior year, an increase of 30 basis points. The remaining 140 basis point decrease was due to lower operating costs in the first half of 2021 due to steps we took during fiscal 2020 to reduce SG&A expense while preserving our operational strengths, to ensure the business was well-positioned for growth as economic conditions improved. Our focus on efficiently managing costs while ensuring we continue to invest in sales resources and digital strategies has allowed us to accelerate our strategic priorities and emerge stronger as the economy continues to recover.

### Depreciation and amortization

Depreciation and amortization was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Depreciation and amortization	\$ 6,426	\$ 7,652	\$ 20,405	\$ 24,002
Percentage of revenue	1.1 %	1.6 %	1.3 %	1.8 %

Depreciation and amortization decreased for the thirteen and thirty-nine weeks ended September 26, 2021 compared to the same period in the prior year, respectively, due to assets becoming fully depreciated and amortized during 2021. Additionally, the impairment to our acquired client relationships intangible assets of \$34.7 million in the fiscal first quarter of 2020, resulted in a decline in amortization expense for the thirty-nine weeks ended September 26, 2021.

### Goodwill and intangible asset impairment charge

Goodwill and intangible asset impairment charge was as follows:

<i>(in thousands)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Goodwill and intangible asset impairment charge	\$ —	\$ —	\$ —	\$ 175,189

As a result of the decrease in demand for our services primarily due to the economic impact caused by COVID-19, we lowered our future expectations, which was the primary trigger of an impairment of our goodwill and acquired client relationships intangible assets recorded in the thirty-nine weeks ended September 27, 2020. As a result of our interim impairment test in the fiscal 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 impairment to our acquired client relationships intangible assets was \$34.7 million. The impairment charge for PeopleScout RPO and PeopleManagement On-Site client relationship intangible assets was \$25.0 million and \$9.7 million, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Income tax expense (benefit)	\$ 3,267	\$ 3,743	\$ 6,938	\$ (34,480)
Effective income tax rate	14.9 %	29.9 %	14.3 %	18.7 %

Our tax provision and our effective tax rate are subject to variation due to several factors, including variability in accurately predicting our full year pre-tax 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.

The items creating a 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 26, 2021	%	Sep 27, 2020	%	Sep 26, 2021	%	Sep 27, 2020	%
Income (loss) before tax expense (benefit)	\$ 21,909		\$ 12,538		\$ 48,362		\$ (184,347)	
Federal income tax expense (benefit) at statutory rate	\$ 4,601	21.0%	\$ 2,633	21.0%	\$ 10,156	21.0%	\$ (38,713)	21.0%
Increase (decrease) resulting from:								
State income taxes, net of federal benefit	1,176	5.4	631	5.0	2,455	5.1	(9,321)	5.1
Non-deductible goodwill impairment charge	—	—	—	—	—	—	21,849	(11.9)
CARES Act	—	—	657	5.2	(438)	(0.9)	(5,041)	2.7
Hiring tax credits, net	(2,935)	(13.4)	(866)	(6.9)	(6,341)	(13.1)	(4,848)	2.6
Non-deductible and non-taxable items	436	1.9	300	2.4	747	1.5	(32)	0.1
Stock-based compensation	(117)	(0.5)	237	1.9	149	0.3	1,121	(0.6)
Foreign taxes and other, net	106	0.5	151	1.3	210	0.4	505	(0.3)
Income tax expense (benefit)	\$ 3,267	14.9%	\$ 3,743	29.9%	\$ 6,938	14.3%	\$ (34,480)	18.7%

For the thirteen weeks ended September 26, 2021 we incurred income tax expense of \$3.3 million and had an effective tax rate of 14.9%, compared to an expense of \$3.7 million and an effective tax rate of 29.9% for the same period in the prior year. The higher effective tax rate in the prior year was due to lower benefits from hiring credits, primarily WOTC, and the CARES Act.

The difference between the statutory federal income tax rate of 21% and our effective tax rate of 14.3% for the thirty-nine weeks ended September 26, 2021 was primarily due to hiring credits, including WOTC, offset by state income taxes. The tax benefit of \$34.5 million for the thirty-nine weeks ended September 27, 2020 was primarily the result of the pre-tax loss, benefits from the CARES Act, and hiring tax credits, partially offset by a non-deductible goodwill and intangible asset impairment charge, as described below. The higher effective tax rate in the prior year was due to lower benefits from hiring credits, primarily WOTC, and the CARES Act.

The CARES Act was enacted in the U.S. on March 27, 2020. 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 year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 an adjustment to prior year hiring credits if credits certified by government offices differ from original estimates. WOTC has been approved through the end of 2025.

The non-deductible goodwill and intangible asset impairment charge relates to an impairment of the carrying amounts of goodwill and other intangible assets of \$175.2 million in the fiscal first quarter of 2020. Of the total impairment loss, \$84.7 million (tax-effected \$21.8 million) related to reporting units from stock acquisitions and accordingly were 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 were deductible for tax purposes.

### 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 expense, other income and expense, income taxes, and other adjustments not considered to be ongoing. See Note 10: *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 nor as an alternative to net income (loss) on 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.

*PeopleReady* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Revenue from services	\$ 349,056	\$ 293,546	\$ 908,764	\$ 801,991
Segment profit	24,690	18,714	54,987	27,002
Percentage of revenue	7.1 %	6.4 %	6.1 %	3.4 %

*PeopleReady* segment profit grew \$6.0 million and \$28.0 million for the thirteen and thirty-nine weeks ended September 26, 2021, compared to the same period in the prior year, respectively. *PeopleReady* has seen improved revenue trends across most geographies and industries, especially those in industries that were hit the hardest by COVID-19, such as construction, transportation, manufacturing, retail and hospitality. Segment profit margin improvements benefited from lower workers' compensation costs due to a reduction to prior year reserves largely associated with favorable patterns in claim development, higher bill rates compared to pay rates, and disciplined cost management.

*PeopleManagement* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Revenue from services	\$ 157,789	\$ 147,241	\$ 461,899	\$ 407,516
Segment profit	2,360	4,574	8,697	6,063
Percentage of revenue	1.5 %	3.1 %	1.9 %	1.5 %

*PeopleManagement* segment profit declined \$2.2 million and grew \$2.6 million for the thirteen and thirty-nine weeks ended September 26, 2021, compared to the same period in the prior year, respectively. Segment profit declined for the thirteen weeks ended September 26, 2021 primarily due to the discontinuation of temporary cost reductions taken in 2020, as well as higher variable expense tied to new business growth, including recruiting costs which have increased to counteract worker supply

## MANAGEMENT'S DISCUSSION AND ANALYSIS

challenges. Segment profit growth for the thirty-nine weeks ended September 26, 2021 was primarily due to improving client volume and new client wins creating operating leverage in the current year.

*PeopleScout* segment performance was as follows:

<i>(in thousands, except percentages)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020	Sep 26, 2021	Sep 27, 2020
Revenue from services	\$ 70,186	\$ 33,743	\$ 181,029	\$ 118,219
Segment profit	9,778	349	24,672	75
Percentage of revenue	13.9 %	1.0 %	13.6 %	0.1 %

PeopleScout segment profit grew \$9.4 million and \$24.6 million for the thirteen and thirty-nine weeks ended September 26, 2021, compared to the same period in the prior year, respectively. Segment profit improved as the result of operating leverage and increased utilization of recruiting staff as volumes recovered within existing clients, especially those in industries hit the hardest by COVID-19, such as travel and leisure, as well as new client wins.

### FUTURE OUTLOOK

Due to the uncertainty surrounding COVID-19 and its impact on the business environment, we have limited visibility into our future financial condition, results of operations or cash flows. However, we believe there is value in providing highlights of our expectations for future financial performance. The following highlights represent our operating outlook for the fiscal fourth quarter of 2021. These expectations are subject to revision as our business changes with the overall economy.

- We are not providing customary revenue guidance for the fiscal fourth quarter of 2021. However, our historical fourth quarter revenue has been consistent with our fiscal third quarter revenue over the prior four years, excluding the fiscal fourth quarter of 2020.
- We anticipate gross margin expansion to be between 140 and 180 basis points for the fiscal fourth quarter of 2021 compared to the same period in the prior year. This improvement is expected to be driven by improving revenue mix from PeopleScout, our highest margin segment, and customer mix.
- For the fiscal fourth quarter of 2021, we anticipate SG&A expense to be between \$126 million and \$130 million. We will continue to exercise disciplined cost management while making investments in sales resources and digital strategies to drive profitable revenue growth. We are also implementing pilot projects to further reduce the costs of our PeopleReady branch network through a greater use of technology, centralizing work activities, and repurposing of job roles, while maintaining the strength of our geographic footprint. These pilots will occur through 2021 and, if successful, could lead to additional efficiencies in the future.
- We expect our effective income tax rate for the fiscal fourth quarter of 2021 to be between 12% and 16%.
- Capital expenditures for the fiscal fourth quarter of 2021 will be approximately \$10 million. We remain committed to technological innovation to transform our business for a digital future. We continue to make investments in online and mobile apps to improve access to associates and candidates, as well as improve the speed and ease of connecting them with our clients. 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 associates and connect them with work. Examples include PeopleReady's JobStack mobile app and PeopleScout's Affinix talent acquisition technology.
- We are actively monitoring the Occupational Safety and Health Administration's potential vaccine and testing mandate. The impact on our results could have a wide range of outcomes and is mainly contingent on the definition of a qualified employee and who is responsible for paying for the testing of unvaccinated workers. We are actively communicating with national officials to understand the logistics behind the policy.
- We believe the additional government spending on infrastructure projects in the American Jobs Plan, as proposed by the current administration, may generate additional demand for industrial staffing businesses especially within the construction, energy and transportation industries.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### LIQUIDITY AND CAPITAL RESOURCES

#### LIQUIDITY

##### *Cash flows from operating activities*

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020
Net income (loss)	\$ 41,424	\$ (149,867)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	20,405	24,002
Goodwill and intangible asset impairment charge	—	175,189
Provision for credit losses	2,881	6,582
Non-cash lease expense, net of changes in operating lease liabilities	1,156	(295)
Stock-based compensation	10,149	6,762
Deferred income taxes	445	(25,955)
Other operating activities	(1,484)	1,944
Changes in operating assets and liabilities:		
Accounts receivable	(53,626)	55,408
Accounts payable and other accrued expenses	3,212	(12,723)
Other accrued wages and benefits	24,278	(7,395)
Deferred employer payroll taxes	(57,066)	36,312
Income tax receivable	963	(4,928)
Operating lease right-of-use asset	7,150	—
Other assets	(7,003)	(2,646)
Workers' compensation claims reserve	3,075	(824)
Other liabilities	4,598	(2,798)
Net cash provided by operating activities	\$ 557	\$ 98,768

Net cash provided by operating activities decreased to \$0.6 million for the thirty-nine weeks ended September 26, 2021, compared to \$98.8 million for the same period in the prior year.

Adjustments to reconcile net income to net cash provided by operating activities for the thirty-nine weeks ended September 26, 2021 changed from the prior year primarily due to:

- Decrease in depreciation and amortization expense due to the impairment of amortizable intangible assets of \$34.7 million during the fiscal first quarter of 2020, as well as assets that were fully amortized or depreciated during fiscal 2021.
- Decrease in the provision for credit losses on accounts receivable primarily due to improved collection efforts for past due receivable balances. The provision for credit losses on accounts receivable as a percent of revenue decreased to 0.19% for the thirty-nine weeks ended September 26, 2021, from 0.50% for the same period in the prior year.
- Increase in stock-based compensation expense relative to the prior year primarily due to performance-based awards tied to company performance, which has improved during the thirty-nine weeks ended September 26, 2021.
- Increase in deferred income tax expense relative to the prior year benefit primarily due to the \$23.3 million discrete tax benefit resulting from goodwill and intangible asset impairment charges in the fiscal first quarter of 2020.
- Decrease in other operating activities primarily due to \$2.8 million in unrealized gains on deferred compensation investments for the thirty-nine weeks ended September 26, 2021 as a result of the recovering economy, as compared to \$0.3 million in unrealized losses on deferred compensation investments in the prior year due to declines in global equity investments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes to operating assets and liabilities for the thirty-nine weeks ended September 26, 2021 were primarily due to:

- Cash used by accounts receivable of \$53.6 million primarily due to increased revenue driven by the recovery of client demand for our services and seasonal revenue increases, as well as an increase in our days sales outstanding of 3.1 days compared to the year ended December 27, 2020. The increase in days sales outstanding was primarily due to a higher percentage of receivables with longer payment terms. When comparing days sales outstanding to the same period in the prior year, days sales outstanding decreased 2.0 days, primarily due to focused collection efforts.

Cash provided by accounts receivable of \$55.4 million for the thirty-nine weeks ended September 27, 2020 was primarily due to lower revenue from a decline in demand for our services primarily due to the economic impact caused by COVID-19, resulting in an overall decrease in accounts receivable. This decrease was partially offset by an increase in our days sales outstanding of 1.0 days 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 were severely impacted by COVID-19.

- Cash provided by other accrued wages and benefits of \$24.3 million was primarily due to the timing of payroll tax payments, as well as higher accrued wages and benefits consistent with our business recovery and lower accrued associate wages at the prior year-end due to the holiday week.
- The CARES Act allowed for the deferral of the employer portion of social security taxes (6.2% of taxable wages) incurred between March 27, 2020 and December 31, 2020, for both our temporary associates and permanent employees. Cash used by deferred employer payroll taxes of \$57.1 million for the thirty-nine weeks ended September 26, 2021 was primarily due to the full repayment as of September 15, 2021. Cash provided by the deferral of employer payroll taxes was \$36.3 million for the thirty-nine weeks ended September 27, 2020.
- Cash provided by operating lease right-of-use asset of \$7.2 million represents reimbursable costs we incurred for the build-out of our Chicago support center, that were collected from our landlord during the thirty-nine weeks ended September 26, 2021.
- Generally, our workers' compensation claims reserve for estimated claims increase as contingent labor services increase, as is the case in the current year, and decrease as contingent labor services decline, as is the case in the prior year. Our worker safety programs have had a positive impact and have created favorable adjustments to our workers' compensation liabilities recorded in prior periods, which slightly offset the increase in reserves in the current year as contingent labor services increase.
- Cash provided by other liabilities of \$4.6 million was primarily due to advanced payments from clients within our PeopleScout business.

### Cash flows from investing activities

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020
Capital expenditures	\$ (28,772)	\$ (16,244)
Purchases and sales of restricted investments	19,110	(7,235)
Net cash used in investing activities	\$ (9,662)	\$ (23,479)

Net cash used in investing activities was \$9.7 million for the thirty-nine weeks ended September 26, 2021, compared to \$23.5 million for the same period in the prior year.

Capital expenditures for the thirty-nine weeks ended September 26, 2021 include build-out costs for our Chicago support center of \$8.1 million, as well as our continued 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 apps 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 RPO 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 associates and connect them with work. Examples include our JobStack mobile app in our PeopleReady business and our Affinix talent acquisition technology in our PeopleScout business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Cash provided by net purchases and sales of restricted investments increased \$26.3 million during the thirty-nine week periods ended September 26, 2021, as compared to the same period in the prior year, primarily due to changes in the timing of collateral contributions as required by our insurance carriers.

### Cash flows from financing activities

<i>(in thousands)</i>	Thirty-nine weeks ended	
	Sep 26, 2021	Sep 27, 2020
Purchases and retirement of common stock	\$ —	\$ (52,346)
Net proceeds from employee stock purchase plans	754	734
Common stock repurchases for taxes upon vesting of restricted stock	(3,035)	(2,331)
Net change in revolving credit facility	—	(35,600)
Other	(270)	(1,436)
Net cash used in financing activities	\$ (2,551)	\$ (90,979)

Net cash used in financing activities was \$2.6 million for the thirty-nine weeks ended September 26, 2021, compared to \$91.0 million for the same period in the prior year.

Net cash used in financing activities of \$91.0 million for the thirty-nine weeks ended September 27, 2020, was primarily due to the repurchase of \$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 for a total of \$52.4 million of common stock. In addition, cash of \$35.6 million was used to pay down our Revolving Credit Facility.

## CAPITAL RESOURCES

### Revolving credit facility

Under our Revolving Credit Facility, which matures on March 16, 2025, we have the ability to increase our borrowing from \$300 million up to \$450 million, subject to bank approval.

The following financial covenants, as defined in the second amendment to our credit agreement, were in effect starting the fiscal third quarter of 2021 and thereafter:

- Consolidated leverage ratio less than 4.00 for the third and fourth quarters of 2021 and less than 3.00 thereafter, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement. As of September 26, 2021, our consolidated leverage ratio was 0.1.
- 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 26, 2021, our consolidated fixed charge ratio was 52.3.

### Workers' compensation insurance, collateral and reserves

#### Workers' compensation insurance

We provide workers' compensation insurance for our associates 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 consolidated financial statements do not reflect the liability for workers' compensation claims in these monopolistic jurisdictions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Workers' compensation collateral and restricted cash and investments

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 a trust at the Bank of New York Mellon ("Trust").

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

<i>(in thousands)</i>	Sep 26, 2021	Dec 27, 2020
Cash collateral held by workers' compensation insurance carriers	\$ 22,786	\$ 22,253
Cash and cash equivalents held in Trust	27,370	29,410
Investments held in Trust	132,127	152,247
Letters of credit (1)	6,160	6,095
Surety bonds (2)	21,969	20,616
<b>Total collateral commitments</b>	<b>\$ 210,412</b>	<b>\$ 230,621</b>

(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.

Total collateral commitments decreased \$20.2 million during the thirty-nine week period ended September 26, 2021 primarily due to timing of collateral contributions as required by our insurance carriers and the use of collateral to satisfy workers' compensation claims.

At September 26, 2021, we had restricted cash and investments totaling \$223.8 million. 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. 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. The majority of our collateral obligations are held in a 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

## 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 26, 2021	Dec 27, 2020
Total workers' compensation reserve, net of discount	\$ 258,569	\$ 255,493
Add back discount on workers' compensation reserve (1)	16,829	18,009
Less excess claims reserve (2)	(60,622)	(54,019)
Reimbursable payments to insurance provider (3)	2,347	6,373
Other (4)	(6,711)	4,765
<b>Total collateral commitments</b>	<b>\$ 210,412</b>	<b>\$ 230,621</b>

- (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, which considers the potential impact of COVID-19.

Our workers' compensation claims reserve for claims below the deductible limit is 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 26, 2021, the weighted average discount rate was 1.6%. The claim payments are made over an estimated weighted average period of approximately 5.5 years.

Our workers' compensation reserve includes 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. The rates used to discount excess claims incurred during the thirty-nine weeks ended September 26, 2021 and fifty-two weeks ended December 27, 2020 were 1.6% and 1.3%, respectively. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 17 years. The discounted workers' compensation reserve for excess claims was \$60.6 million and \$54.0 million, as of September 26, 2021 and December 27, 2020, respectively. The discounted receivables from insurance companies, net of valuation allowance, were \$59.2 million and \$52.9 million as of September 26, 2021 and December 27, 2020, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We continue to actively manage workers' compensation cost through the safety of our associates 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 prior periods. Continued favorable adjustments to our prior year 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.

### FUTURE OUTLOOK

We are providing the following future liquidity and capital resources outlook for the fourth quarter and full year of fiscal 2021:

- We expect our Revolving Credit Facility and strong financial position to provide ample liquidity. As of September 26, 2021, we had no debt outstanding on our Revolving Credit Facility leaving \$294 million unused under the Revolving Credit Facility. We have the option to increase the total line of credit amount from \$300 million to \$450 million, subject to bank approval.
- 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.
- As of September 26, 2021, \$67 million remains available for repurchase of common stock under existing authorizations. We have historically returned capital to shareholders through stock repurchases.

### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates are 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 27, 2020. The following has been updated to reflect the results of our impairment analyses.

#### 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. Our operating segments are PeopleReady, PeopleManagement Centerline, PeopleManagement On-Site, PeopleScout RPO, and PeopleScout MSP. The impairment test involves 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 involves the use of significant estimates and assumptions to evaluate the impact of operational and macroeconomic changes on each reporting unit. We estimate the fair value of each reporting unit using a weighted average of the income and market valuation approaches. The income approach applies a fair value methodology based on discounted cash flows. This analysis requires significant estimates and judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit being tested. Our weighted average cost of capital for our most recent annual impairment test ranged from 11.0% to 12.0%. We also apply a market approach, which identifies similar publicly traded companies and develops a correlation, referred to as a multiple, to apply to the operating results of the reporting units. The primary market multiples to which we compare are revenue and earnings before interest, taxes, depreciation, and amortization. The income and market approaches were equally weighted in our most recent annual impairment test. These combined fair

## MANAGEMENT'S DISCUSSION AND ANALYSIS

values are reconciled to our aggregate market value of our shares of common stock outstanding on the date of valuation, resulting in a control premium of 23.2%.

We base fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We consider a reporting unit's fair value to be substantially in excess of its carrying value at a 20% premium or greater. Based on our 2021 annual impairment test performed as of March 29, 2021, all reporting units' fair values were substantially in excess of their respective carrying values. 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 29, 2021 to September 26, 2021.

### *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.

We performed our annual indefinite-lived intangible asset impairment test for 2021, and determined that the estimated fair values exceeded the carrying amounts for our indefinite-lived trade names. 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 29, 2021 to September 26, 2021.

## 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 27, 2020.

## 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 Security and Exchange Commission'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 2021, 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 26, 2021.

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 6: *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 and in our Annual Report on Form 10-K for the fiscal year ended December 27, 2020 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 caused 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 equity markets, changes to the labor market, and concern that credit markets and companies will not remain liquid.

COVID-19 caused significant negative impacts on our operations and stock price. Our revenue declined substantially beginning in the second half of March 2020 because of COVID-19 and may remain suppressed while economic conditions return to pre-pandemic levels. Further deterioration in economic conditions, as a result of COVID-19 or otherwise, could lead to a prolonged decline in demand for our services and negatively impact our business.

The extent to which COVID-19, including any variants, continues to adversely impact our business depends on future developments of the pandemic and related governmental responses, such as the efficacy, distribution, and government requirements related to the COVID-19 vaccines. 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.

*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, associate 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 may decline materially. Acquiring technological expertise and developing new technologies for our business may require us to incur significant expenses and capital 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 associates 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 the value of our collateral could require us to seek additional sources of capital to pay our workers' compensation claims. As our business grows or financial results deteriorate, we have seen the amount of collateral required increase and the timing of providing collateral accelerate, which could occur again in the future. 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 associates 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 associates. Some or all of these claims may give rise to negative publicity, investigations, litigation or settlements, which may cause us to incur costs or have other material adverse impacts on our financial statements.

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 associates or arising from our associates 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 adverse 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.

*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 have in the past and could in the future terminate their contracts or materially reduce their requested levels of service at any time. Although we have no client that represents over 10% of our consolidated revenue, there are a few 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 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. Reduced demand for our services from larger clients or certain industries, such as renewed restrictions on travel

and leisure or supply interruptions for manufacturing, have 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. 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 to improve our operational effectiveness. These efforts strain our systems, management, administrative, operations, and financial infrastructure. For example, we are in the early stages of implementing pilot projects to further reduce the costs of our PeopleReady branch network through a greater use of technology, centralizing work activities, and repurposing of job roles, while maintaining the strength of our geographic footprint. 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 refinements 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 cause us to incur additional expenditures and have an adverse effect on our business.*

We expect to continue adjusting the composition of our business segments 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. In particular, we are making significant investments to advance our technology, and we cannot be sure that those initiatives will be successful or that we will achieve a return on our investment. 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 secret, 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, associates, 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, employees or associates 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 (the “Board”) 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 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 our 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.

*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 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.

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.

If our debt level significantly increases in the future, 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.

**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 federal, state, local and international 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. Government mandates

requiring employees to be vaccinated against or tested for COVID-19 could cause a decline in the number of associates available for our temporary staffing business to provide to customers. Such a decline could adversely affect our results of operations and financial condition.

Our temporary staffing businesses employ associates. The wage rates we pay to associates are based on many factors including government-mandated increases to 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 may be unable to attract sufficient qualified associates 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 associates and candidates to fill positions. Attracting qualified associates 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 U.S. was low, making it challenging to find sufficient eligible associates and candidates to meet our clients' orders. The economic slowdown resulting from COVID-19 increased unemployment substantially, but we cannot predict its continued effect on employment rates. Government responses to COVID-19 including generous unemployment benefits, stimulus payments, and other direct payments to individuals, have negatively impacted our ability to recruit qualified associates and candidates, and may continue to impact our recruiting efforts in the future. Continued similar benefits will further impact our ability to recruit in the future. Client requirements or governmental mandates for our associates to be vaccinated against or periodically tested for COVID-19 could cause qualified associates to avoid work or seek alternative employers. We have experienced shortages of qualified associates 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 associates. If we are subject to unreasonable collective bargaining agreements or work disruptions, our business could be adversely affected.

*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.

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

Our business requires the use, processing, and storage of confidential information about applicants, candidates, associates, 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, associates, 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, associate, 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 associates and employees may have access to or exposure to confidential information about applicants, candidates, associates, 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, inflation, political and legislative changes, epidemics, other significant health concerns, and global trade uncertainties. As economic activity slows, companies tend to reduce their use of associates and recruitment of new employees. We work in a broad range of industries that primarily include construction, manufacturing and logistics, warehousing and distribution, waste and recycling, energy, retail, and hospitality. For example, we 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 apps, 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, 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 segments by investing in innovative technology and initiatives which drive organic growth. These investments may not achieve our desired results 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.

***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.

***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, motivate and provide a safe working environment to 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, failure to keep our staff healthy or significant increases in labor costs could have a material adverse effect on our business, financial condition and results of operations.

***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.

***We face risks in operating internationally.***

A portion of our business operations and support functions are located outside of the U.S. 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 have 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 U.S. 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 U.S., and taxes in foreign jurisdictions. We face continued uncertainty surrounding ongoing hiring tax credits we utilize, and for the recent business tax incentives related to measures taken to soften the impact of COVID-19. 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, 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 has been and 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 26, 2021.

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	Maximum number of shares (or approximate dollar value) that may yet be purchased under plans or programs at period end (3)
06/28/2021 through 07/25/2021	3,720	\$27.88	—	\$66.7 million
07/26/2021 through 08/22/2021	5,024	\$27.01	—	\$66.7 million
08/23/2021 through 09/26/2021	4,011	\$27.40	—	\$66.7 million
Total	12,755	\$27.39	—	

- (1) During the thirteen weeks ended September 26, 2021, we purchased 12,755 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 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 26, 2021, \$66.7 million remains available for repurchase under the existing authorization. The second amendment to our credit agreement prohibited us from repurchasing shares until July 1, 2021.

**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="#">Employment Agreement, dated September 15, 2021, by and between Trueblue, Inc. and Taryn Owen</a>		8-K	001-14543	09/22/2021
10.2	<a href="#">Non-Competition Agreement, dated September 15, 2021, by and between Trueblue, Inc. and Taryn Owen</a>		8-K	001-14543	09/22/2021
10.3	<a href="#">Form Executive Indemnification Agreement, by and between Trueblue, Inc. and Patrick Beharelle, Derrek L. Gafford, Taryn Owen, Carl Schweihs, and Garrett Ferencz</a>		10-K	001-14543	02/24/2020
10.4	<a href="#">Form Executive Change-in-Control Agreement, by and between Trueblue, Inc. and Derrek L. Gafford, Patrick Beharelle, Taryn Owen, Carl Schweihs, and Garrett Ferencz</a>		10-Q	001-14543	05/04/2007
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			



## 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*

10/25/2021

Signature

Date

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

*/s/ Derrek L. Gafford*

10/25/2021

Signature

Date

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

*/s/ Richard B. Christensen*

10/25/2021

Signature

Date

By: Richard B. Christensen, Chief Accounting Officer and Senior Vice President

## 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 25, 2021

*/s/ A. Patrick Beharelle*  
\_\_\_\_\_  
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 25, 2021

*/s/ Derrek L. Gafford*

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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 26, 2021 (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 25, 2021

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.