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 24, 2023

or

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

TrueBlue, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

As of October 18, 2023, there were 31,139,746 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

TRUEBLUE, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except par value and share count data)	September 24, 2023	December 25, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,113	$ 72,054
Accounts receivable, net of allowance of $2,762 and $3,212	276,233	314,275
Prepaid expenses and other current assets	23,021	32,530
Income tax receivable	13,239	11,353
Total current assets	359,606	430,212
Property and equipment, net	102,809	95,823
Restricted cash and investments	198,829	213,734
Deferred income taxes, net	29,120	25,842
Goodwill	84,753	93,784
Intangible assets, net	11,823	16,205
Operating lease right-of-use assets, net	52,393	50,823
Workers' compensation claims receivable, net	61,858	75,185
Other assets, net	13,840	17,800
Total assets	$ 915,031	$ 1,019,408
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$ 48,879	$ 76,644
Accrued wages and benefits	87,080	92,237
Income tax payable	158	1,137
Current portion of workers' compensation claims reserve	44,091	50,005
Current operating lease liabilities	12,438	11,963
Other current liabilities	7,928	10,889
Total current liabilities	200,574	242,875
Workers' compensation claims reserve, less current portion	173,361	201,005
Long-term deferred compensation liabilities	31,323	26,213
Long-term operating lease liabilities	51,651	50,601
Other long-term liabilities	1,496	2,399
Total liabilities	458,405	523,093
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, $0.131 par value, 20,000,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000,000 shares authorized; 31,108,594 and 32,729,689 shares issued and outstanding	1	1
Accumulated other comprehensive loss	(21,070)	(20,018)
Retained earnings	477,695	516,332
Total shareholders' equity	456,626	496,315
Total liabilities and shareholders' equity	$ 915,031	$ 1,019,408

See accompanying notes to consolidated financial statements

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

(in thousands, except per share data)	Thirteen weeks ended September 24, 2023	Thirteen weeks ended September 25, 2022	Thirty-nine weeks ended September 24, 2023	Thirty-nine weeks ended September 25, 2022
Revenue from services	$ 473,196	$ 575,721	$ 1,414,072	$ 1,696,489
Cost of services	349,023	419,802	1,036,295	1,242,194
Gross profit	124,173	155,919	377,777	454,295
Selling, general and administrative expense	120,715	124,351	364,642	366,953
Depreciation and amortization	6,184	7,483	18,875	22,015
Goodwill and intangible asset impairment charge	—	—	9,485	—
Income (loss) from operations	(2,726)	24,085	(15,225)	65,327
Interest and other income (expense), net	390	703	1,982	1,098
Income (loss) before tax expense (benefit)	(2,336)	24,788	(13,243)	66,425
Income tax expense (benefit)	(2,326)	4,092	(1,621)	11,197
Net income (loss)	$ (10)	$ 20,696	$ (11,622)	$ 55,228
Net income (loss) per common share:				
Basic	$ 0.00	$ 0.64	$ (0.37)	$ 1.67
Diluted	$ 0.00	$ 0.63	$ (0.37)	$ 1.65
Weighted average shares outstanding:				
Basic	30,932	32,434	31,397	33,023
Diluted	30,932	32,818	31,397	33,511
Other comprehensive income (loss):				
Foreign currency translation adjustment	$ (1,305)	$ (3,053)	$ (1,052)	$ (4,650)
Comprehensive income (loss)	$ (1,315)	$ 17,643	$ (12,674)	$ 50,578

See accompanying notes to consolidated financial statements

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

(in thousands)	Thirty-nine weeks ended September 24, 2023	Thirty-nine weeks ended September 25, 2022
Cash flows from operating activities:		
Net income (loss)	$ (11,622)	$ 55,228
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	18,875	22,015
Goodwill and intangible asset impairment charge	9,485	—
Provision for credit losses	3,254	3,352
Stock-based compensation	10,219	7,675
Deferred income taxes	(3,344)	2,046
Non-cash lease expense	9,449	9,694
Other operating activities	(1,661)	8,772
Changes in operating assets and liabilities:		
Accounts receivable	34,790	21,388
Income taxes receivable and payable	(3,001)	186
Other assets	26,795	(564)
Accounts payable and other accrued expenses	(26,879)	(22,935)
Accrued wages and benefits	(5,156)	(10,277)
Workers' compensation claims reserve	(33,558)	(4,304)
Operating lease liabilities	(9,498)	(9,673)
Other liabilities	1,421	(2,529)
Net cash provided by operating activities	19,569	80,074
Cash flows from investing activities:		
Capital expenditures	(23,095)	(22,685)
Payments for company-owned life insurance	(2,347)	—
Proceeds from company-owned life insurance	1,662	—
Purchases of restricted held-to-maturity investments	(26,894)	(4,950)
Maturities of restricted held-to-maturity investments	24,118	23,697
Net cash used in investing activities	(26,556)	(3,938)
Cash flows from financing activities:		
Purchases and retirement of common stock	(34,178)	(60,939)
Net proceeds from employee stock purchase plans	704	780
Common stock repurchases for taxes upon vesting of restricted stock	(3,759)	(4,347)
Other	(96)	(203)
Net cash used in financing activities	(37,329)	(64,709)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(757)	(2,482)
Net change in cash, cash equivalents and restricted cash	(45,073)	8,945
Cash, cash equivalents and restricted cash, beginning of period	135,631	103,185
Cash, cash equivalents and restricted cash, end of period	$ 90,558	$ 112,130
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 721	$ 828
Income taxes	$ 4,732	$ 8,907
Operating lease liabilities	$ 11,718	$ 11,824
Non-cash transactions:		
Property and equipment purchased but not yet paid	$ 3,550	$ 3,131
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 10,943	$ 7,015

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.

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 25, 2022. The results of operations for the thirty-nine weeks ended September 24, 2023 are not necessarily indicative of the results expected for the full fiscal year nor for any other fiscal period.

Recently adopted accounting standards

There were no new accounting standards adopted during the thirty-nine weeks ended September 24, 2023 that had a material 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:

	September 24, 2023			
(in thousands)	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	$ 47,113	$ 47,113	$ —	$ —
Restricted cash and cash equivalents	43,445	43,445	—	—
Cash, cash equivalents and restricted cash (1)	$ 90,558	$ 90,558	$ —	$ —
Municipal debt securities	$ 34,066	$ —	$ 34,066	$ —
Corporate debt securities	77,301	—	77,301	—
Agency mortgage-backed securities	8,751	—	8,751	—
U.S. government and agency securities	932	—	932	—
Restricted investments classified as held-to-maturity (2)	$ 121,050	$ —	$ 121,050	$ —

(in thousands)	December 25, 2022 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	$ 72,054	$ 72,054	$ —	$ —
Restricted cash and cash equivalents	63,577	63,577	—	—
Cash, cash equivalents and restricted cash (1)	$ 135,631	$ 135,631	$ —	$ —
Municipal debt securities	$ 42,431	$ —	$ 42,431	$ —
Corporate debt securities	76,097	—	76,097	—
Agency mortgage-backed securities	48	—	48	—
U.S. government and agency securities	949	—	949	—
Restricted investments classified as held-to-maturity (2)	$ 119,525	$ —	$ 119,525	$ —

(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.

Assets measured at fair value on a nonrecurring basis

In addition to assets that are recorded at fair value on a recurring basis, annual and interim impairment tests may subject our reporting units with goodwill and other intangible assets to nonrecurring fair value measurement. We performed our annual impairment tests for goodwill and indefinite-lived intangible assets as of the first day of our fiscal second quarter of 2023. Refer to Note 5: *Goodwill and Intangible Assets* for additional details on the impairment charges, valuation methodologies, and inputs used in the fair value measurements.

For our 2023 annual goodwill impairment test, the fair value of each reporting unit was estimated using a weighting of the income and market approaches, except for PeopleScout MSP, which relied only on the income approach. The various inputs to these fair value models are considered Level 3. As a result of the test, goodwill with a carrying value of $9.7 million associated with the PeopleScout MSP reporting unit was impaired, and an impairment charge of $8.9 million was recognized on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023.

For our 2023 annual indefinite-lived intangible asset impairment test, the fair value of our trade names/trademarks were estimated utilizing the relief from royalty method. The various inputs to this fair value model are considered Level 3. As a result of the test, one of our trade names/trademarks with a carrying value of $3.9 million was written down to its fair value, and an impairment charge of $0.6 million was recognized on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

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

(in thousands)	September 24, 2023	December 25, 2022
Cash collateral held by insurance carriers	$ 24,727	$ 29,567
Cash and cash equivalents held in Trust	17,842	30,857
Investments held in Trust	125,379	123,678
Company-owned life insurance policies	30,005	26,479
Other restricted cash and cash equivalents	876	3,153
Total restricted cash and investments	$ 198,829	$ 213,734

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").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

The amortized cost and estimated fair value of our held-to-maturity investments held in Trust, aggregated by investment category as of September 24, 2023 and December 25, 2022, were as follows:

	September 24, 2023			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 34,783	$ —	$ (717)	$ 34,066
Corporate debt securities	80,759	—	(3,458)	77,301
Agency mortgage-backed securities	8,839	—	(88)	8,751
U.S. government and agency securities	998	—	(66)	932
Total held-to-maturity investments	$ 125,379	$ —	$ (4,329)	$ 121,050

	December 25, 2022			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 42,892	$ 2	$ (463)	$ 42,431
Corporate debt securities	79,736	4	(3,643)	76,097
Agency mortgage-backed securities	50	—	(2)	48
U.S. government and agency securities	1,000	—	(51)	949
Total held-to-maturity investments	$ 123,678	$ 6	$ (4,159)	$ 119,525

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

	September 24, 2023	
(in thousands)	Amortized cost	Fair value
Due in one year or less	$ 32,068	$ 31,617
Due after one year through five years	85,528	81,848
Due after five years through ten years	7,783	7,585
Total held-to-maturity investments	$ 125,379	$ 121,050

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.

Company-owned life insurance policies

We hold company-owned life insurance policies to support our deferred compensation liability. During the thirteen and thirty-nine weeks ended September 24, 2023, we received proceeds from company-owned life insurance policies of $1.7 million, of which $1.4 million was in excess of the cash surrender value of the related policies and recognized in selling, general and administrative ("SG&A") expense on our Consolidated Statements of Operations and Comprehensive Income (Loss). Unrealized gains and losses related to investments still held at September 24, 2023 and September 25, 2022, which are included in SG&A expense on our Consolidated Statements of Operations and Comprehensive Income (Loss), were as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands)	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Unrealized gains (losses)	$ (493)	$ (1,516)	$ 1,482	$ (7,076)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

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:

	Thirty-nine weeks ended	
(in thousands)	September 24, 2023	September 25, 2022
Beginning balance	$ 3,212	$ 6,687
Current period provision	3,254	3,352
Write-offs	(3,702)	(6,731)
Foreign currency translation	(2)	(22)
Ending balance	$ 2,762	$ 3,286

Prepaid expenses and other current assets

The balance of prepaid expenses and other current assets was made up of the following:

(in thousands)	September 24, 2023	December 25, 2022
Prepaid software agreements	$ 8,626	$ 9,994
Other prepaid expenses	8,640	9,455
Other current assets	5,755	13,081
Prepaid expenses and other current assets	$ 23,021	$ 32,530

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

(in thousands)	PeopleReady	PeopleScout	PeopleManagement	Total company
Balance at December 25, 2022				
Goodwill before impairment	$ 106,304	$ 141,956	$ 81,092	$ 329,352
Accumulated impairment charge	(46,210)	(109,757)	(79,601)	(235,568)
Goodwill, net	60,094	32,199	1,491	93,784
Impairment charge	—	(8,885)	—	(8,885)
Foreign currency translation	—	(146)	—	(146)
Balance at September 24, 2023				
Goodwill before impairment	106,304	141,810	81,092	329,206
Accumulated impairment charge	(46,210)	(118,642)	(79,601)	(244,453)
Goodwill, net	$ 60,094	$ 23,168	$ 1,491	$ 84,753

We performed our annual impairment test as of the first day of our fiscal second quarter of 2023, for our reporting segments with remaining goodwill: PeopleReady; PeopleManagement Centerline; PeopleScout RPO; and PeopleScout MSP. The fair value of each reporting unit was estimated using a weighting of the income and market valuation approaches. The income approach applied a fair value methodology to each reporting unit based on discounted cash flows. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internally-developed forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows 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. The weighted average cost of capital used in our most recent impairment test ranged from 13.0% to 13.5%. We also applied a market approach, which develops a value correlation based on the market capitalization of similar publicly traded companies, 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, except for PeopleScout MSP which relied only on the income approach.

The combined fair values for all reporting units were then reconciled to our aggregate market value of our shares of common stock on the date of valuation, while considering a reasonable control premium. 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 most recent impairment test, all of our reporting units' fair values were substantially in excess of their respective carrying values, except for PeopleScout MSP.

As a result of our 2023 annual impairment test, we concluded that the carrying amount of the PeopleScout MSP reporting unit exceeded its fair value and we recorded a non-cash goodwill impairment charge of $8.9 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The PeopleScout MSP goodwill impairment was related to our revised internal revenue projections, which anticipated the current year declining trends would continue into future periods. These projections were updated based on our then-current outlook and a recent industry analysis, which indicated that our business would underperform due to a strategic lack of investment in technology within an increasingly competitive market. The remaining goodwill balance for the PeopleScout MSP reporting unit was $0.8 million as of September 24, 2023.

Additionally, following performance of the annual impairment test, we did not identify any events or conditions that make it more likely than not that an additional impairment may have occurred. Accordingly, no further impairment loss was recognized during the thirty-nine weeks ended September 24, 2023.

Intangible assets

Indefinite-lived intangible assets

We held indefinite-lived trade names/trademarks of $5.4 million and $6.0 million as of September 24, 2023 and December 25, 2022, respectively, related to businesses within our PeopleScout and PeopleManagement segments.

As a result of our 2023 annual impairment test, we concluded that the carrying amount of a trade name/trademark related to the PeopleManagement segment exceeded its estimated fair value and recorded a non-cash impairment charge of $0.6 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The charge was primarily the result of an increase in the discount rate, as well as lower projected revenues given our then-current outlook. The remaining balance for this trade name/trademark was $3.3 million as of September 24, 2023.

Additionally, following performance of the annual impairment test, we did not identify any additional events or conditions that make it more likely than not that an additional impairment may have occurred. Accordingly, no further impairment loss was recognized during the thirty-nine weeks ended September 24, 2023.

Finite-lived intangible assets

We did not identify any events or conditions that make it more likely than not that an impairment of our finite-lived intangible assets may have occurred during the thirty-nine weeks ended September 24, 2023.

NOTE 6: 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 our $5.0 million deductible limit, on a "per occurrence" basis. This results in our business being substantially self-insured.

Our workers' compensation reserve for claims below the deductible limit is discounted to its estimated net present value. The discount rates used to estimate net present value are based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred and the weighted average duration of the payments against the self-insured claims. Payments made against self-insured claims are made over a weighted average period of approximately 6 years as of September 24, 2023. The weighted average discount rate was 2.3% and 2.0% at September 24, 2023 and December 25, 2022, respectively.

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

(in thousands)	September 24, 2023	December 25, 2022
Undiscounted workers' compensation reserve	$ 237,242	$ 270,468
Less discount on workers' compensation reserve	19,790	19,458
Workers' compensation reserve, net of discount	217,452	251,010
Less current portion	44,091	50,005
Long-term portion	$ 173,361	$ 201,005

Payments made against self-insured claims were $32.6 million and $28.1 million for the thirty-nine weeks ended September 24, 2023 and September 25, 2022, 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 and the weighted average duration of the payments against the excess claims. 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 rates used to discount excess claims incurred during the thirty-nine weeks ended September 24, 2023 and fifty-two weeks ended December 25, 2022 were 3.9% and 3.0%, respectively. The discounted workers' compensation reserve for excess claims was $63.1 million and $76.7 million, as of September 24, 2023 and December 25, 2022, respectively. The discounted receivables from insurance companies, net of valuation allowance, were $61.9 million and $75.2 million as of September 24, 2023 and December 25, 2022, respectively.

Workers' compensation cost consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums and other miscellaneous expenses. Workers' compensation cost of $ 7.8 million and $6.9 million was recorded in cost of services on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirteen weeks ended September 24, 2023 and September 25, 2022, respectively, and $18.5 million and $28.0 million for the thirty-nine weeks ended September 24, 2023 and September 25, 2022, respectively.

NOTE 7: LONG-TERM DEBT

We have a revolving credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A., which provides for a revolving line of credit of up to $300.0 million, and is currently set to mature on March 16, 2025 ("Revolving Credit Facility"). We have an option to increase the amount to $450.0 million, subject to lender approval. Included in the Revolving Credit Facility is a $30.0 million sub-limit for "Swingline" loans and a $125.0 million sub-limit for letters of credit. At September 24, 2023, $7.2 million was utilized by outstanding standby letters of credit, leaving $292.8 million unused under the Revolving Credit Facility, which is constrained by our most restrictive covenant making $123.0 million available for additional borrowing. At December 25, 2022, $7.2 million was utilized by outstanding standby letters of credit.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed under the revolving line of credit in excess of the Swingline loans, based on the Secured Overnight Financing Rate, plus an adjustment of 0.10%, plus an applicable spread between 1.25% and 3.50%. Alternatively, at our option, we may pay interest based on a base rate plus an applicable spread between 0.25% and 1.50%. The base rate is the greater of the prime rate (as announced by Bank of America), or the federal funds rate plus 0.50%. The applicable spread is determined by the consolidated leverage ratio, as defined in the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, we are required to pay a variable rate of interest on funds borrowed under the Swingline loan based on the base rate plus applicable spread between 0.25% and 1.50%, as described above.

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

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

The following financial covenants, as defined in the Revolving Credit Facility, were in effect as of September 24, 2023:

- Consolidated leverage ratio less than 3.00, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement. As of September 24, 2023, our consolidated leverage ratio was 0.17.
- 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 24, 2023, our consolidated fixed charge coverage ratio was 27.83.

As of September 24, 2023, we were in compliance with all effective covenants related to the Revolving Credit Facility.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Workers' compensation commitments

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

(in thousands)	September 24, 2023	December 25, 2022
Cash collateral held by workers' compensation insurance carriers	$ 18,872	$ 23,716
Cash and cash equivalents held in Trust	17,842	30,857
Investments held in Trust	125,379	123,678
Letters of credit (1)	6,077	6,077
Surety bonds (2)	20,725	20,806
Total collateral commitments	$ 188,895	$ 205,134

(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.

NOTE 9: SHAREHOLDERS' EQUITY

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

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands)	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Common stock shares				
Beginning balance	30,996	32,684	32,730	34,861
Purchases and retirement of common stock	—	—	(1,877)	(2,234)
Net issuance under equity plans, including tax benefits	113	9	256	66
Stock-based compensation	—	—	—	—
Ending balance	31,109	32,693	31,109	32,693
Common stock amount				
Beginning balance	$ 1	$ 1	$ 1	$ 1
Current period activity	—	—	—	—
Ending balance	1	1	1	1
Retained earnings				
Beginning balance	473,809	483,296	516,332	508,813
Net income (loss)	(10)	20,696	(11,622)	55,228
Purchases and retirement of common stock (1)	22	—	(34,178)	(60,939)
Net issuance under equity plans, including tax benefits	(1,051)	30	(3,056)	(3,567)
Stock-based compensation	4,925	3,188	10,219	7,675
Ending balance	477,695	507,210	477,695	507,210
Accumulated other comprehensive loss				
Beginning balance, net of tax	(19,765)	(17,344)	(20,018)	(15,747)
Foreign currency translation adjustment	(1,305)	(3,053)	(1,052)	(4,650)
Ending balance, net of tax	(21,070)	(20,397)	(21,070)	(20,397)
Total shareholders' equity ending balance	$ 456,626	$ 486,814	$ 456,626	$ 486,814

(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 and the related excise tax 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.

NOTE 10: INCOME TAXES

Our income tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for any discrete items 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 24, 2023 was12.2%. The difference between the statutory federal income tax rate of21.0% and our effective tax rate was primarily due to a non-deductible goodwill impairment charge and the federal Work Opportunity Tax Credit ("WOTC"). WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. Other differences between the statutory federal income tax rate and our effective tax rate result from certain other non-deductible and non-taxable items, the tax impact of stock-based compensation, and state and foreign income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 11: NET INCOME (LOSS) PER SHARE

Diluted common shares were calculated as follows:

(in thousands, except per share data)	Thirteen weeks ended		Thirty-nine weeks ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net income (loss)	$ (10)	$ 20,696	$ (11,622)	$ 55,228
Weighted average number of common shares used in basic net income (loss) per common share	30,932	32,434	31,397	33,023
Dilutive effect of non-vested stock-based awards	—	384	—	488
Weighted average number of common shares used in diluted net income (loss) per common share	30,932	32,818	31,397	33,511
Net income (loss) per common share:				
Basic	$ 0.00	$ 0.64	$ (0.37)	$ 1.67
Diluted	$ 0.00	$ 0.63	$ (0.37)	$ 1.65
Anti-dilutive shares	945	485	937	439

NOTE 12: 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, transportation, manufacturing, retail, hospitality and renewable energy.

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.

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, warehousing 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 *(unaudited)*

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

(in thousands)	Thirteen weeks ended September 24, 2023	Thirteen weeks ended September 25, 2022	Thirty-nine weeks ended September 24, 2023	Thirty-nine weeks ended September 25, 2022
Revenue from services:				
Contingent staffing				
PeopleReady	$ 283,187	$ 334,639	$ 811,133	$ 958,272
PeopleManagement	137,065	163,618	420,809	489,375
Human resource outsourcing				
PeopleScout	52,944	77,464	182,130	248,842
Total company	$ 473,196	$ 575,721	$ 1,414,072	$ 1,696,489

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

(in thousands)	Thirteen weeks ended September 24, 2023	Thirteen weeks ended September 25, 2022	Thirty-nine weeks ended September 24, 2023	Thirty-nine weeks ended September 25, 2022
Segment profit:				
PeopleReady	$ 9,656	$ 28,732	$ 18,686	$ 65,276
PeopleManagement	2,134	4,463	4,182	11,670
PeopleScout	6,272	10,707	24,012	42,272
Total segment profit	18,062	43,902	46,880	119,218
Corporate unallocated expense	(8,122)	(9,396)	(23,045)	(23,225)
Third-party processing fees for hiring tax credits	(90)	(162)	(320)	(486)
Amortization of software as a service assets	(1,064)	(729)	(2,884)	(2,175)
Goodwill and intangible asset impairment charge	—	—	(9,485)	—
PeopleReady technology upgrade costs	(696)	(1,858)	(902)	(6,156)
Executive leadership transition costs	(2,492)	—	(2,492)	1,422
Other benefits (costs)	(2,140)	(189)	(4,102)	(1,256)
Depreciation and amortization	(6,184)	(7,483)	(18,875)	(22,015)
Income (loss) from operations	(2,726)	24,085	(15,225)	65,327
Interest and other income (expense), net	390	703	1,982	1,098
Income (loss) before tax expense (benefit)	$ (2,336)	$ 24,788	$ (13,243)	$ 66,425

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, 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.

BUSINESS OVERVIEW

TrueBlue, Inc. (the "company," "TrueBlue," "we," "us" and "our") is a leading provider of specialized workforce solutions that helps our clients improve productivity and grow their businesses. Client demand for contingent workforce solutions and outsourced recruiting services is cyclical and heavily influenced by the overall strength of the economy and labor market, as well as trends in workforce flexibility. During periods of rising economic uncertainty, clients reduce their contingent labor in response to lower volumes and reduced appetite for expanding production or inventory, which reduces the demand for our services. That environment also reduces demand for permanent placement recruiting, whether outsourced or in-house. However, as the economy emerges from periods of uncertainty, contingent labor providers are uniquely positioned to respond quickly to increasing demand for labor and rapidly fill new or temporary positions, replace absent employees, and convert fixed labor costs to variable costs. Similarly, companies turn to hybrid or fully outsourced recruiting models during periods of rapid re-hiring and high employee turnover. In order to competitively differentiate our services and grow market share in these highly fragmented industries, we are committed to executing our digital strategies to increase our ability to attract and retain clients, employees, and associates, and reduce the cost of delivering our services. We have implemented these core strategies for each of our business segments: PeopleReady, PeopleScout and PeopleManagement.

PeopleReady

PeopleReady provides clients with access to qualified associates through a wide range of staffing solutions for on-demand, contingent general and skilled labor. Our services range from providing one associate to hundreds, and are generally short-term in nature as they are filling the contingent staffing needs of our clients. PeopleReady connects people with work in a broad range of industries through our network of branches across all 50 states in the United States ("U.S."), Canada and Puerto Rico, and increasingly through our industry-leading mobile app, JobStack™. JobStack creates a digital 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. Our primary focus at PeopleReady is the use of digitalization to supplement our nationwide footprint, improve our operating efficiency and effectiveness, and gain market share.

PeopleScout

PeopleScout offers recruitment process outsourcing (“RPO”), managed service provider (“MSP”) solutions and talent advisory services to a wide variety of industries, primarily in the U.S., Canada, the United Kingdom and Australia. Our RPO solutions are multi-year in duration, highly scalable and provide clients the support they need as their hiring volumes fluctuate. We tailor our services based on individual client needs, including sourcing, screening, hiring and onboarding, as well as employer branding and recruitment marketing, to improve the candidate experience and regulatory compliance, and ultimately lower our clients’ recruiting costs. Our proprietary technology platform (Affinix™) uses artificial intelligence and machine learning to rapidly source a qualified talent pool within minutes, and engages candidates through a seamless digital experience. Our MSP business manages our clients’ contingent labor programs, including vendor selection, performance management, compliance monitoring and risk management. Our primary focus at PeopleScout is leveraging our strong brand reputation, continuing to invest in our sales team, and using Affinix to continue to gain market share in high growth sectors.

PeopleManagement

PeopleManagement provides recruitment and on-site management of a facility’s contingent industrial workforce throughout the U.S., Canada and Puerto Rico. Our client engagements are generally multi-location and multi-year, and include scalable recruiting, screening, hiring and management of the contingent workforce. We deploy dedicated management and service teams that work side-by-side with a client’s full-time workforce. Our teams are an integral part of the production and logistics process, and specialize in labor-intensive manufacturing, warehousing and distribution. PeopleManagement also provides dedicated and contingent commercial drivers to the transportation and distribution industries through our Centerline Drivers (“Centerline”) brand. Centerline matches drivers to each client’s specific needs, allowing them to improve productivity, control costs, ensure compliance and deliver improved service. Our primary focus at PeopleManagement continues to be growing our client base by targeting local and underserved markets, as well as investing in client and associate care programs to improve retention.

Fiscal third quarter of 2023 summary

Total company revenue declined 17.8% to $473.2 million for the thirteen weeks ended September 24, 2023, compared to the same period in the prior year. The decline was primarily driven by continued economic uncertainty impacting demand trends across all three segments. Our contingent staffing clients are focused on employee retention as well as reducing costs, causing them to become increasingly selective in the positions they fill using outsourced labor providers. The decline in demand has impacted most industries and markets, especially transportation, retail and services.

Total company gross profit as a percentage of revenue for the thirteen weeks ended September 24, 2023 decreased by 90 basis points to 26.2%, compared to 27.1% for the same period in the prior year. This decrease was primarily driven by changes in revenue mix towards our lower margin staffing businesses.

Total company selling, general and administrative (“SG&A”) expense decreased 2.9% to $120.7 million for the thirteen weeks ended September 24, 2023, compared to the same period in the prior year. SG&A expense decreased as a result of operational cost management actions we have taken in response to the decline in demand for our services, while maintaining our operational strengths and readiness to increase our market share when demand rebounds. These cost reductions were partially offset by inflation in certain employee costs, most notably medical benefits.

The items above resulted in net loss of $0.0 million for the thirteen weeks ended September 24, 2023, compared to net income of $20.7 million for the same period in the prior year.

As of September 24, 2023, we had cash and cash equivalents of $47.1 million, no debt, and $123.0 million available under the most restrictive covenant of our revolving credit agreement (“Revolving Credit Facility”), for total liquidity of $170.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Total company results

The following table presents selected financial data:

	Thirteen weeks ended				Thirty-nine weeks ended			
(in thousands, except percentages and per share data)	Sep 24, 2023	% of revenue	Sep 25, 2022	% of revenue	Sep 24, 2023	% of revenue	Sep 25, 2022	% of revenue
Revenue from services	$ 473,196		$ 575,721		$ 1,414,072		$ 1,696,489	
Gross profit	$ 124,173	26.2 %	$ 155,919	27.1 %	$ 377,777	26.7 %	$ 454,295	26.8 %
Selling, general and administrative expense	120,715	25.5	124,351	21.6	364,642	25.8	366,953	21.6
Depreciation and amortization	6,184	1.3	7,483	1.3	18,875	1.3	22,015	1.3
Goodwill and intangible asset impairment charge	—	—	—	—	9,485	0.7	—	—
Income (loss) from operations	(2,726)	(0.6)	24,085	4.2	(15,225)	(1.1)	65,327	3.9
Interest and other income (expense), net	390		703		1,982		1,098	
Income (loss) before tax expense (benefit)	(2,336)		24,788		(13,243)		66,425	
Income tax expense (benefit)	(2,326)		4,092		(1,621)		11,197	
Net income (loss)	$ (10)	0.0 %	$ 20,696	3.6 %	$ (11,622)	(0.8)%	$ 55,228	3.3 %
Net income (loss) per diluted share	$ 0.00		$ 0.63		$ (0.37)		$ 1.65	

Revenue from services

	Thirteen weeks ended					Thirty-nine weeks ended				
(in thousands, except percentages)	Sep 24, 2023	Growth (decline) %	Segment % of total	Sep 25, 2022	Segment % of total	Sep 24, 2023	Growth (decline) %	Segment % of total	Sep 25, 2022	Segment % of total
Revenue from services:										
PeopleReady	$ 283,187	(15.4)%	59.8 %	$ 334,639	58.1 %	$ 811,133	(15.4)%	57.4 %	$ 958,272	56.5 %
PeopleScout	52,944	(31.7)	11.2	77,464	13.5	182,130	(26.8)	12.8	248,842	14.7
PeopleManagement	137,065	(16.2)	29.0	163,618	28.4	420,809	(14.0)	29.8	489,375	28.8
Total company	$ 473,196	(17.8)%	100.0 %	$ 575,721	100.0 %	$ 1,414,072	(16.6)%	100.0 %	$ 1,696,489	100.0 %

Total company revenue declined 17.8% to $473.2 million for the thirteen weeks ended September 24, 2023, and declined 16.6% to $1.4 billion for the thirty-nine weeks ended September 24, 2023, compared to the same periods in the prior year. These declines were primarily driven by continued economic uncertainty impacting demand trends across all three segments. Our contingent staffing clients are focused on employee retention as well as reducing costs, causing them to become increasingly selective in the positions they fill using outsourced labor providers. Our PeopleScout clients continue to face uncertain future workforce needs, and have reduced volumes in an attempt to manage costs.

PeopleReady

PeopleReady revenue declined 15.4% to $283.2 million for the thirteen weeks ended September 24, 2023, and declined 15.4% to $811.1 million for the thirty-nine weeks ended September 24, 2023, compared to the same periods in the prior year. PeopleReady revenue declined as a result of continued economic uncertainty, leading our clients to reduce their dependence on variable labor to supplement their core workforce in order to manage their costs. Our clients are focused on employee retention, causing them to become increasingly selective in the positions they fill using outsourced labor providers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PeopleScout

PeopleScout revenue declined 31.7% to $52.9 million for the thirteen weeks ended September 24, 2023, and declined 26.8% to $182.1 million for the thirty-nine weeks ended September 24, 2023, compared to the same periods in the prior year. PeopleScout revenue declined as clients continued to respond to economic uncertainty and unknown future workforce needs through reducing hiring volumes, sourcing candidates with internal resources, and initiating hiring freezes to control costs. In addition, the prior year comparable periods benefited from historically high client employee turnover rates, which increased volumes for those periods.

PeopleManagement

PeopleManagement revenue declined 16.2% to $137.1 million for the thirteen weeks ended September 24, 2023, and declined 14.0% to $420.8 million for the thirty-nine weeks ended September 24, 2023, compared to the same periods in the prior year. PeopleManagement revenue declined as clients in our on-site business continued to respond to economic uncertainty by reducing dependence on variable labor to supplement their core workforce.

Gross profit

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Gross profit	$ 124,173	$ 155,919	$ 377,777	$ 454,295
Percentage of revenue	26.2 %	27.1 %	26.7 %	26.8 %

Gross profit as a percentage of revenue declined 90 basis points to 26.2% for the thirteen weeks ended September 24, 2023, compared to 27.1% for the same period in the prior year. A contraction of 90 basis points was due to unfavorable revenue shifts toward our lower margin staffing businesses, including revenue growth in the renewable energy business within PeopleReady, which has lower margins than average PeopleReady margins. Our staffing businesses contributed an additional 30 basis points of contraction from higher workers' compensation costs, offset by 30 basis points of expansion as a result of disciplined pricing in the form of bill rates, which have increased ahead of pay rates.

Gross profit as a percentage of revenue declined 10 basis points to 26.7% for the thirty-nine weeks ended September 24, 2023, compared to 26.8% for the same period in the prior year. A contraction of 80 basis points was due to unfavorable revenue shifts toward our lower margin staffing businesses. The contraction was partially offset by 40 basis points of expansion due to lower workers' compensation costs in our staffing businesses. An additional 30 basis points of expansion was a result of higher bill rates in our staffing businesses, which have increased ahead of pay rates.

SG&A expense

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Selling, general and administrative expense	$ 120,715	$ 124,351	$ 364,642	$ 366,953
Percentage of revenue	25.5 %	21.6 %	25.8 %	21.6 %

Total company SG&A expense decreased by $3.6 million or 2.9% for the thirteen weeks ended September 24, 2023, compared to the same period in the prior year. The cost cutting measures taken during fiscal 2023 to scale down our operating cost structure have resulted in savings of approximately $12 million during the thirteen weeks ended September 24, 2023. Cost reductions were made to promote a return to profitability, while maintaining our operational strengths and readiness to increase market share when demand rebounds. However, operating cost savings have been partially offset by inflation of certain employee costs, most notably for employee medical benefits which have been rising nation-wide. Cost savings were also offset by $2.5 million of accelerated compensation costs related to transitions in our executive leadership.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total company SG&A expense decreased by $2.3 million or 0.6% for the thirty-nine weeks ended September 24, 2023, compared to the same period in the prior year. We incurred $2.1 million in workforce reduction costs during the period to scale down our operating cost structure in conjunction with other cost cutting measures, which have resulted in savings of approximately $17 million during the thirty-nine weeks ended September 24, 2023. Cost reductions were made promote a return to profitability, while maintaining our operational strengths and readiness to increase market share when demand rebounds. However, operating cost savings have been partially offset by inflation of certain employee costs, most notably for employee medical benefits, which have been rising nation-wide. Cost savings were also offset by $2.5 million of accelerated compensation costs related to transitions in our executive leadership. SG&A expense in the prior year included a benefit of $3.3 million for the reversal of accrued compensation related to the resignation of a former Chief Executive Officer.

Depreciation and amortization

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Depreciation and amortization	$ 6,184	$ 7,483	$ 18,875	$ 22,015
Percentage of revenue	1.3 %	1.3 %	1.3 %	1.3 %

Depreciation and amortization decreased for the thirteen weeks and thirty-nine weeks ended September 24, 2023 compared to the same periods in the prior year, due to certain assets becoming fully depreciated or amortized during 2022.

Goodwill and intangible asset impairment charge

A summary of the goodwill and intangible asset impairment charge for the thirty-nine weeks ended September 24, 2023, by reportable segment, is as follows:

(in thousands)	PeopleScout	PeopleManagement	Total company
Goodwill	$ 8,885	$ —	$ 8,885
Trade names/trademark	—	600	600
Total	$ 8,885	$ 600	$ 9,485

Goodwill

We performed our annual impairment test as of the first day of our fiscal second quarter of 2023. As a result of this impairment test, we concluded that the carrying amount of our PeopleScout MSP reporting unit exceeded its fair value and we recorded a non-cash goodwill impairment charge of $8.9 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The PeopleScout MSP goodwill impairment was related to our revised internal revenue projections, which anticipated the current year declining trends would continue into future periods. These projections were updated based on our then-current outlook and a recent industry analysis, which indicated that our business would underperform due to a strategic lack of investment in technology within an increasingly competitive market. No further impairment loss was recognized during the thirteen weeks ended September 24, 2023. The remaining goodwill balance for PeopleScout MSP was $0.8 million as of September 24, 2023. See Note 5: *Goodwill and Intangible Assets*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details.

Indefinite-lived intangible assets

We performed our annual impairment test as of the first day of our fiscal second quarter of 2023. As a result of this impairment test, we concluded that a trade name/trademark related to our PeopleManagement segment exceeded its estimated fair value and we recorded a non-cash impairment charge of $0.6 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The charge was primarily the result of an increase in the discount rate, as well as lower projected revenues given our then-current outlook. No further impairment loss was recognized during the thirteen weeks ended September 24, 2023. The remaining balance for this trade name/trademark was $3.3 million as of September 24, 2023.

Income tax expense

(in thousands, except percentages)	Thirteen weeks ended Sep 24, 2023	Thirteen weeks ended Sep 25, 2022	Thirty-nine weeks ended Sep 24, 2023	Thirty-nine weeks ended Sep 25, 2022
Income tax expense (benefit)	$ (2,326)	$ 4,092	$ (1,621)	$ 11,197
Effective income tax rate	99.6 %	16.5 %	12.2 %	16.9 %

Our tax provision and our effective tax rate are subject to variation due to several factors, including variability in accurately predicting our annual pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income and loss. For example, the impact of discrete items, tax credits and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower.

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:

	Thirteen weeks ended				Thirty-nine weeks ended			
(in thousands, except percentages)	Sep 24, 2023	%	Sep 25, 2022	%	Sep 24, 2023	%	Sep 25, 2022	%
Income (loss) before tax expense (benefit)	$ (2,336)		$ 24,788		$ (13,243)		$ 66,425	
Federal income tax expense (benefit) at statutory rate	$ (491)	21.0%	$ 5,206	21.0%	$ (2,781)	21.0%	$ 13,950	21.0%
Increase (decrease) resulting from:								
State income taxes, net of federal benefit	107	(4.6)	1,245	5.0	(442)	3.3	2,816	4.2
Non-deductible goodwill impairment charge	—	—	—	—	2,287	(17.3)	—	—
Hiring tax credits, net	(2,895)	123.9	(2,689)	(10.8)	(1,594)	12.0	(6,539)	(9.8)
Non-deductible and non-taxable items	542	(23.2)	1,560	6.3	376	(2.8)	1,979	3.0
Stock-based compensation	391	(16.7)	(5)	0.0	625	(4.7)	(600)	(0.9)
Other, net	20	(0.8)	(1,225)	(5.0)	(92)	0.7	(409)	(0.6)
Income tax expense (benefit)	$ (2,326)	99.6%	$ 4,092	16.5%	$ (1,621)	12.2%	$ 11,197	16.9%

Significant fluctuations in our effective tax rate are primarily due to the non-deductible goodwill impairment charge and the Work Opportunity Tax Credit (“WOTC”). Other differences between the statutory federal income tax rate and our effective tax rate result from certain other non-deductible and non-taxable items, the tax impact of stock-based compensation, and state and foreign income taxes.

Of the total goodwill and intangible asset impairment charge of $9.5 million recorded in the fiscal second quarter of 2023, $8.9 million (tax effect of $2.3 million) related to goodwill from a stock acquisition, and accordingly was not deductible for tax purposes.

WOTC, our primary hiring tax credit, 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 tax credits if credits certified by government offices differ from original estimates. The U.S. Congress has approved the WOTC program through the end of 2025.

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 asset impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest expense, other income and expense, income taxes, and other costs and benefits not considered to be ongoing. See Note 12: *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.

Segment profit should not be considered a measure of financial performance in isolation or as an alternative to net income (loss) on the Consolidated Statements of Operations and Comprehensive Income (Loss) calculated 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:

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Revenue from services	$ 283,187	$ 334,639	$ 811,133	$ 958,272
Segment profit	$ 9,656	$ 28,732	$ 18,686	$ 65,276
Percentage of revenue	3.4 %	8.6 %	2.3 %	6.8 %

PeopleReady segment profit declined $19.1 million and $46.6 million for the thirteen and thirty-nine weeks ended September 24, 2023, and also declined as a percentage of revenue, compared to the same periods in the prior year, respectively. These declines were primarily due to the decline in revenue and the relatively high level of fixed to variable costs within SG&A expense which creates higher operating leverage, as well as changes in revenue mix towards our lower margin renewable energy business.

PeopleScout segment performance was as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Revenue from services	$ 52,944	$ 77,464	$ 182,130	$ 248,842
Segment profit	$ 6,272	$ 10,707	$ 24,012	$ 42,272
Percentage of revenue	11.8 %	13.8 %	13.2 %	17.0 %

PeopleScout segment profit declined $4.4 million and $18.3 million for the thirteen and thirty-nine weeks ended September 24, 2023, and also declined as a percentage of revenue, compared to the same periods in the prior year, respectively. These declines were a result of the decline in revenue, the effects of which were softened by our workforce reductions during each quarter of 2023 to manage our operating cost structure.

PeopleManagement segment performance was as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(in thousands, except percentages)	Sep 24, 2023	Sep 25, 2022	Sep 24, 2023	Sep 25, 2022
Revenue from services	$ 137,065	$ 163,618	$ 420,809	$ 489,375
Segment profit	$ 2,134	$ 4,463	$ 4,182	$ 11,670
Percentage of revenue	1.6 %	2.7 %	1.0 %	2.4 %

PeopleManagement segment profit declined $2.3 million and $7.5 million for the thirteen and thirty-nine weeks ended September 24, 2023, and also declined as a percentage of revenue, compared to the same periods in the prior year, respectively. These declines were primarily due to the decline in revenue and the associated impact from higher operating leverage. We took actions during each quarter of 2023 to reduce costs for the remainder of the year.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

The following highlights represent our operating outlook. These expectations are subject to revision as our business changes with the overall economy.

Operating outlook

- The fiscal fourth quarter of 2023 will include a 14th week, which we expect will add between $17 million and $22 million in revenue, but is expected to contribute a small net loss due to it falling during a slow demand period between the Christmas and New Year holidays.

  The outlook information below is on a comparable 13-week basis:

- We expect revenue for the fiscal fourth quarter of 2023 to decline between 19% and 15% compared to the same period in the prior year, primarily due to our clients’ continued response to macroeconomic uncertainty.

- We anticipate gross profit as a percentage of revenue to remain relatively consistent for the fiscal fourth quarter of 2023 compared to the same period in the prior year.

- For the fiscal fourth quarter of 2023, we anticipate SG&A expense to be between $123 million and $127 million.

- We expect basic weighted average shares outstanding to be approximately 31 million for the fiscal fourth quarter of 2023. This expectation does not include the impact of potential share repurchases.

- We expect an income tax benefit for fiscal fourth quarter of 2023 between $4 million and $6 millior. The estimated income tax benefit is primarily the result of our hiring tax credits.

Liquidity outlook

- Capital expenditures and spending for software as a service assets for the fiscal fourth quarter of 2023 are expected to be approximately $11 million. Approximately $1 million relates to spending for software as a service assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

We believe our cash and borrowing capacity are sufficient sources of funding to meet our short and long term obligations. As of September 24, 2023, we had $47.1 million in cash and cash equivalents and no debt. We had $123.0 million available under the most restrictive covenant of our $300.0 million Revolving Credit Facility, as $7.2 million was utilized by outstanding standby letters of credit. We have an option to increase the total line of credit amount under the Revolving Credit Facility from $300.0 million to $450.0 million, subject to lender approval.

Cash generated through our core operations is our primary source of liquidity. Our principal ongoing cash needs are to finance working capital, fund capital expenditures, repay any outstanding Revolving Credit Facility balances, and execute share repurchases. We manage working capital through timely collection of accounts receivable, which we achieve through focused collection efforts and tightly monitoring trends in days sales outstanding. While client payment terms are generally 90 days or less, we pay our associates weekly, so additional financing through the use of our Revolving Credit Facility is sometimes necessary to support revenue growth. We also manage working capital through efficient cost management and strategically timing payments of accounts payable.

We continue to make investments in online and mobile apps to increase the competitive differentiation of our services over the long term and improve the efficiency of our service delivery model. In addition, we continue to transition our back-office technology from on-premise software platforms to cloud-based software solutions, to increase automation and the efficiency of running our business.

Outside of ongoing cash needed to support core operations, 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. 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 continue to have risk that these collateral requirements may be increased by our insurers due to our workers' compensation claims history and market dynamics. We generally anticipate our collateral commitments to grow as we grow our business. We pay our premiums and deposit our collateral in installments. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. Restricted cash and investments supporting our self-insured workers' compensation obligation are held in a trust at the Bank of New York Mellon ("Trust"), and are used to pay workers' compensation claims as they are filed. See Note 6: *Workers' Compensation Insurance and Reserves*, and 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 workers' compensation program as well as the restricted cash and investments held in Trust.

We have 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 minimize risk by diversifying 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

Total collateral commitments decreased $16.2 million during the thirty-nine week period ended September 24, 2023, primarily due to a decrease in collateral levels required by our insurance carriers, as well as the use of collateral to satisfy workers' compensation claims. See Note 8: *Commitments and Contingencies*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our workers' compensation commitments. We continue to actively manage workers' compensation cost through improving 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 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 the frequency and severity of accident rates has diminished.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted cash and investments also includes collateral to support our non-qualified deferred compensation plan in the form of company-owned life insurance policies. Our non-qualified deferred compensation plan is managed by a third-party service provider, and the investments backing the company-owned life insurance policies align with the amount and timing of payments based on employee elections.

A summary of our cash flows for each period are as follows:

	Thirty-nine weeks ended	
(in thousands)	Sep 24, 2023	Sep 25, 2022
Net cash provided by operating activities	$ 19,569	$ 80,074
Net cash used in investing activities	(26,556)	(3,938)
Net cash used in financing activities	(37,329)	(64,709)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(757)	(2,482)
Net change in cash, cash equivalents and restricted cash	$ (45,073)	$ 8,945

Cash flows from operating activities

Cash provided by operating activities consists of net income (loss) adjusted for non-cash benefits and expenses, and changes in operating assets and liabilities.

Demand for our services is generally lower during the fiscal first quarter, due in part to limitations in outside work during the winter months and slowdowns in manufacturing and logistics after the fiscal fourth quarter holiday season. This results in a deleveraging of accounts receivable and accounts payable compared to the prior year-end. Accrued wages and benefits can fluctuate based on whether the period end requires the accrual of one or two weeks of payroll, the amount and timing of employee bonus payments, and timing of payroll tax payments.

In addition to the cyclical deleveraging, we experienced additional deleveraging of accounts receivable and payable due to the decline in revenue during the thirteen weeks ended September 24, 2023 as compared to the fiscal fourth quarter of 2022. Net cash provided by accounts receivable collections through deleveraging during the thirty-nine weeks ended September 24, 2023 was partially offset by net cash used for payments on accounts payable and accrued expenses. Net cash used for payments on accrued wages and benefits was primarily due to the timing and amount of annual bonus payments to employees, which are paid in the fiscal first quarter. In addition, our workers' compensation claims reserve for estimated claims decreases as contingent labor services decline, as was the case in the current period.

Cash flows from investing activities

Investing cash flows consist of capital expenditures and purchases, sales, and maturities of restricted investments, which are managed in line with our workers' compensation collateral funding requirements and timing of claim payments.

Capital expenditures for the thirty-nine weeks ended September 24, 2023 were higher than the thirty-nine weeks ended September 25, 2022 due in part to the continued investments we are making to upgrade our PeopleReady technology platform. For the thirty-nine weeks ended September 24, 2023, cash used for purchases of restricted investments was partially offset by maturities. In the prior period, cash provided by maturities of restricted investments was not immediately reinvested by the Trust, and partially offset capital expenditures.

Cash flows from financing activities

Financing cash flows consist primarily of repurchases of common stock as part of our publicly announced share repurchase program, amounts to satisfy employee tax withholding obligations upon the vesting of restricted stock, the net change in our Revolving Credit Facility, and proceeds from the sale of common stock through our employee stock purchase plan.

Net cash used in financing activities during the thirty-nine weeks ended September 24, 2023 was primarily due to the repurchase of $34.2 million of our common stock in the open market. As of September 24, 2023, $55.1 million remains available for repurchase under existing authorizations.

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 25, 2022. 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 with remaining goodwill are PeopleReady, PeopleManagement Centerline, PeopleScout RPO and PeopleScout MSP.

When evaluating goodwill for impairment, we may first assess qualitative factors to determine whether it is more likely than not the fair value of a reporting unit is less than its carrying amount. Qualitative factors include macroeconomic conditions, industry and market conditions and overall company financial performance. If, after assessing the totality of events and circumstances, we determine that it is more likely than not the fair value of the reporting unit is greater than its carrying amount, the quantitative impairment test is unnecessary.

The quantitative impairment test, if necessary, 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 charge in an amount equal to the excess, not to exceed the carrying value of the goodwill. We consider a reporting unit's fair value to be substantially in excess of its carrying value at a 20% premium or greater.

Determining the fair value of a reporting unit when performing a quantitative impairment test 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 weighting of the income and market valuation approaches. The income approach applies a fair value methodology to each reporting unit 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 develops a value correlation based on the market capitalization of similar publicly traded companies, 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. We confirm the reasonableness of the valuation conclusions by comparing the indicated values of all the reporting units to the overall company value indicated by the stock price and outstanding shares as of the valuation date, or market capitalization.

Annual impairment test

We performed our annual goodwill impairment test as of the first day of our fiscal second quarter of 2023. The weighted average cost of capital used in our most recent impairment test was risk-adjusted to reflect the specific risk profile of the reporting units and ranged from 13.0% to 13.5%. The combined fair values for all reporting units were then reconciled to our aggregate market value of our shares of common stock on the date of valuation, resulting in a control premium of 27.9%.

As a result of our annual impairment test, we concluded that the carrying amount of the PeopleScout MSP reporting unit exceeded its fair value and we recorded a non-cash goodwill impairment charge of $8.9 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The PeopleScout MSP goodwill impairment was related to our revised internal revenue projections, which anticipated the current year declining trends would continue into future periods. These projections were updated based on our then-current outlook and a recent industry analysis, which indicated that our business would underperform due to a strategic lack of investment in technology within an increasingly competitive market. The remaining goodwill balance for PeopleScout MSP was $0.8 million as of September 24, 2023. Any further declines in PeopleScout MSP revenue, in excess of our projections used in the annual impairment test, could give rise to an additional impairment. Based on our annual impairment test, we concluded the fair value of all other reporting units were substantially in excess of their carrying value, and the goodwill associated with those reporting units was not impaired.

Operating results have declined compared to our expectations as of the date of the annual impairment test; however, we did not identify any events or conditions that make it more likely than not that an additional impairment may have occurred during the thirty-nine weeks ended September 24, 2023. Further declines in our projected operating performance could give rise to a future impairment. See Note 5: *Goodwill and Intangible Assets*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on the 2023 goodwill impairment.

There was no goodwill impairment charge recorded during fiscal 2022 nor 2021.

Indefinite-lived intangible assets

We have indefinite-lived intangible assets for trade names/trademarks related to business within our PeopleManagement and PeopleScout segments. We evaluate our indefinite-lived intangible assets for impairment on an annual basis as of the first day of our fiscal second quarter, or whenever events or circumstances make it more likely than not that an impairment may have occurred. These events or circumstances could include significant change in general economic conditions, deterioration in industry environment, changes in cost factors, declining operating performance indicators, legal factors, competition, client engagement, or sale or disposition of a significant portion of the business. We monitor the existence of potential impairment indicators throughout the fiscal year.

When evaluating indefinite-lived intangible assets for impairment, we may first assess qualitative factors to determine whether it is more likely than not the fair value of the indefinite-lived intangible is less than its carrying amount. Qualitative factors include macroeconomic conditions, industry and market conditions and overall company financial performance. If, after assessing the totality of events and circumstances, we determine that it is more likely than not the fair value of the indefinite-lived intangible is greater than its carrying amount, the quantitative impairment test is unnecessary.

The quantitative impairment test, if necessary, utilizes 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 charge 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.

Annual impairment test

We performed our annual indefinite-lived intangible asset impairment test as of the first day of our fiscal second quarter of 2023. As a result of this impairment test, we concluded that a trade name/trademark related to the PeopleManagement segment exceeded its estimated fair value and we recorded a non-cash impairment charge of $0.6 million, which was included in goodwill and intangible asset impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the thirty-nine weeks ended September 24, 2023. The charge was primarily the result of an increase in the discount rate, as well as lower projected revenues given our then-current outlook. The remaining balance for this trade name/trademark was $3.3 million as of September 24, 2023.

The fair value of the trade name/trademark related to the PeopleScout segment was substantially in excess of its carrying value of $2.1 million, and therefore did not result in an impairment. Additionally, following performance of the annual impairment test, we did not identify any events or conditions that make it more likely than not that an additional impairment may have occurred during the thirteen or thirty-nine weeks ended September 24, 2023.

No impairment charge was recorded during fiscal 2022 nor 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Finite-lived intangible assets and other long-lived assets

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

We did not identify any events or conditions that make it more likely than not that an impairment of our finite-lived intangible assets or other long-lived assets may have occurred during the thirteen or thirty-nine weeks ended September 24, 2023.

No impairment charge was recorded during fiscal 2022 or 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 25, 2022, and have not changed materially.

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 Securities 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 2023, 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 24, 2023.

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 8: *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

There have been no material changes in the Company's risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report filed on Form 10-K for the year ended December 25, 2022.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

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 24, 2023.

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	Approximate dollar value that may yet be purchased under plans or programs at period end (3)
6/26/2023 through 7/23/2023	3,067	$17.73	—	$55.1 million
7/24/2023 through 8/20/2023	2,647	$15.25	—	$55.1 million
8/21/2023 through 9/24/2023	891	$15.10	—	$55.1 million
Total	6,605	$16.38	—	

(1) Includes 6,605 shares we purchased 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 or excise tax on share repurchases.

(3) On February 2, 2022, our Board of Directors authorized a $100.0 million addition to our share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have an expiration date. As of September 24, 2023, $55.1 million remains available for repurchase under the existing authorization.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Trading plans

During the fiscal third quarter of 2023, none of our directors or executive officersadopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as such terms are defined in paragraphs (a) and (c), respectively, of Item 408 of Regulation S-K promulgated under the Securities Act of 1933, as amended.

Item 6. INDEX TO EXHIBITS

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference		
			Form	File no.	Date of first filing
3.1	Amended and Restated Articles of Incorporation.		8-K	001-14543	05/12/2016
3.2	Amended and Restated Bylaws.		10-Q	001-14543	10/30/2017
10.1	Employment Agreement between TrueBlue, Inc. and Taryn Owen dated August 11, 2023		8-K	001-14543	08/15/2023
10.2	Change-In-Control Agreement between TrueBlue, Inc. and Taryn Owen dated August 11, 2023		8-K	001-14543	08/15/2023
31.1	Certification of Taryn R. Owen, 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.	X			
31.2	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.	X			
32.1	Certification of Taryn R. Owen, 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.	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/ Taryn R. Owen	**10/23/2023**
	Signature	Date
By:	Taryn R. Owen, Chief Executive Officer and President	
	/s/ Derrek L. Gafford	**10/23/2023**
	Signature	Date
By:	Derrek L. Gafford, Chief Financial Officer and Executive Vice President	
	/s/ Richard B. Christensen	**10/23/2023**
	Signature	Date
By:	Richard B. Christensen, Chief Accounting Officer, Treasurer and Senior Vice President	

EXHIBIT 31.1

CERTIFICATION

I, Taryn R. Owen, 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 23, 2023

/s/ Taryn R. Owen

Taryn R. Owen
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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 23, 2023

/s/ Derrek L. Gafford

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

EXHIBIT 32.1

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

We, Taryn R. Owen, 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 24, 2023 (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/ Taryn R. Owen	*/s/ Derrek L. Gafford*
Taryn R. Owen	Derrek L. Gafford
Chief Executive Officer (Principal Executive Officer)	Chief Financial Officer (Principal Financial Officer)

October 23, 2023

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.