

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒

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

For the quarterly period ended **September 27, 2025**

OR

☐

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

For the transition period from _____ to _____

Commission file number: **1-10245**

RCM TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or other Jurisdiction of Incorporation)

95-1480559

(I.R.S. Employer Identification No.)

2500 McClellan Avenue, Suite 350, Pennsauken, New Jersey 08109-4613

(Address of Principal Executive Offices)

(Zip Code)

(856) 356-4500

(Registrant's Telephone Number, Including Area Code)

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, par value \$0.05 per share	RCMT	The NASDAQ Stock Market LLC

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, 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). (Check one):

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

Indicate the number of shares outstanding of the Registrant's class of common stock, as of the latest practicable date.

Common Stock, \$0.05 par value, 7,410,510 shares outstanding as of November 5, 2025.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES

Table of Contents

PART I - FINANCIAL INFORMATION

	Page
Item 1. Condensed Consolidated Financial Statements	
Condensed Consolidated Balance Sheets as of September 27, 2025 (Unaudited) and December 28, 2024	4
Unaudited Condensed Consolidated Statements of Operations for the Thirteen and Thirty-Nine Weeks Ended September 27, 2025 and September 28, 2024	5
Unaudited Condensed Consolidated Statements of Comprehensive Income for the Thirty-Nine Weeks Ended September 27, 2025 and September 28, 2024	6
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the Thirty-Nine Weeks Ended September 27, 2025 and September 28, 2024	7
Unaudited Condensed Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended September 27, 2025 and September 28, 2024	9
Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3. Quantitative and Qualitative Disclosures About Market Risk	48
Item 4. Controls and Procedures	48

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	49
Item 1A. Risk Factors	49
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	49
Item 3. Defaults Upon Senior Securities	49
Item 4. Mine Safety Disclosures	49
Item 5. Other Information	49
Item 6. Exhibits	50
Signatures	51

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report and documents incorporated by reference into it may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, and our beliefs and assumptions. Words such as “believes,” “anticipates,” “plans,” “expects,” “will,” “goal,” and similar expressions are intended to identify forward-looking statement. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our having a significant portion of our condensed consolidated revenues contributed by a concentrated group of customers; credit and collection risks; our claim experience related to workers’ compensation and general liability insurance; the effects of changes in, or interpretations of laws and regulations governing, the healthcare industry, our workforce and the services that we provide, including state and local regulations pertaining to the taxability of our services and other labor-related matters such a minimum wage increases; the Company’s expectations with respect to selling, general, and administrative expense; and the risk factors described in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 28, 2024 and Part II, Item 1A “Risk Factors” of subsequent Quarterly Reports on Form 10-Q, including this Form 10-Q.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**RCM TECHNOLOGIES, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 27, 2025 (Unaudited)	December 28, 2024
Current assets:		
Cash and cash equivalents	\$1,309	\$4,729
Accounts receivable and contract assets, net of provision for credit losses of \$1,541 at September 27, 2025 and \$1,570 at December 28, 2024	83,243	77,960
Transit accounts receivable	6,215	7,315
Prepaid expenses and other current assets	4,160	7,034
Total current assets	94,927	97,038
Property and equipment, net	7,624	7,368
Other assets:		
Deposits	278	230
Deferred tax assets, foreign	131	120
Goodwill	22,147	22,147
Operating right of use asset	4,708	5,174
Total other assets	27,264	27,671
Total assets	\$129,815	\$132,077
Current liabilities:		
Accounts payable and accrued expenses	\$13,080	\$13,369
Transit accounts payable	13,440	23,870
Accrued payroll and related costs	12,795	9,929
Finance lease payable	889	698
Income taxes payable	247	346
Operating lease liability	1,121	1,046
Contingent consideration from acquisitions	212	212
Deferred revenue	6,230	4,163
Total current liabilities	48,014	53,633
Deferred income taxes, net, domestic	4,526	4,526
Finance lease payable, net of current position	566	1,112
Operating lease liability, net of current position	3,796	4,355
Borrowings under line of credit	31,535	34,967
Total liabilities	88,437	98,593
Contingencies (note 15)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.05 par value; 40,000,000 shares authorized; 17,948,409 shares issued and 7,410,510 shares outstanding at September 27, 2025 and 17,838,372 shares issued and 7,602,113 shares outstanding at December 28, 2024	898	890
Additional paid-in capital	121,453	118,845
Accumulated other comprehensive loss	(2,757)	(2,920)
Retained earnings (accumulated deficit)	4,292	(5,938)
Treasury stock, 10,537,899 shares at September 27, 2025 and 10,236,259 shares at December 28, 2024	(82,508)	(77,393)
Total stockholders' equity	41,378	33,484
Total liabilities and stockholders' equity	\$129,815	\$132,077

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Revenue	\$70,289	\$60,365	\$232,928	\$201,468
Cost of services	50,879	42,524	169,263	143,259
Gross profit	19,410	17,841	63,665	58,209
Operating costs and expenses				
Selling, general and administrative	14,933	13,018	45,179	40,762
Depreciation and amortization of property and equipment	539	393	1,364	1,012
Amortization of acquired intangible assets	-	45	-	136
Potential stock issuance and financial transactions	-	-	-	259
Operating costs and expenses	15,472	13,456	46,543	42,169
Operating income	3,938	4,385	17,122	16,040
Other expense				
Interest expense and other, net	584	492	1,885	1,551
Loss on foreign currency transactions	30	127	356	68
Other expense, net	614	619	2,241	1,619
Income before income taxes	3,324	3,766	14,881	14,421
Income tax expense	1,065	1,020	4,651	3,961
Net income	\$2,259	\$2,746	\$10,230	\$10,460
Basic net earnings per share	\$0.30	\$0.36	\$1.37	\$1.34
Diluted net earnings per share	\$0.30	\$0.35	\$1.34	\$1.31

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024
Net income	\$10,230	\$10,460
Other comprehensive income	163	26
Comprehensive income	\$10,393	\$10,486

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Treasury Stock		Total
	Issued Shares	Amount				Shares	Amount	
Balance, December 28, 2024	17,838,372	\$890	\$118,845	(\$2,920)	(\$5,938)	10,236,259	(\$77,393)	\$33,484
Issuance of stock under employee stock purchase plan	18,192	1	280	-	-	-	-	281
Equity compensation expense from awards issued	-	-	773	-	-	-	-	773
Purchase of treasury stock	-	-	-	-	-	183,432	(3,188)	(3,188)
Issuance of stock upon vesting of restricted share awards	116,401	6	(6)	-	-	-	-	-
Retirement of common shares withheld for taxes on equity compensation	(44,681)	(2)	(936)	-	-	-	-	(938)
Foreign currency translation adjustment	-	-	-	2	-	-	-	2
Net income	-	-	-	-	4,186	-	-	4,186
Balance, March 29, 2025	17,928,284	\$895	\$118,956	(\$2,918)	(\$1,752)	10,419,691	(\$80,581)	\$34,600
Equity compensation expense from awards issued	-	-	1,133	-	-	-	-	1,133
Purchase of treasury stock	-	-	-	-	-	118,208	(1,927)	(1,927)
Issuance of stock upon vesting of restricted share awards	-	1	(1)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	195	-	-	-	195
Net income	-	-	-	-	3,785	-	-	3,785
Balance, June 28, 2025	17,928,284	\$896	\$120,088	(\$2,723)	\$2,033	10,537,899	(\$82,508)	\$37,786
Issuance of stock under employee stock purchase plan	17,353	1	333	-	-	-	-	334
Equity compensation expense from awards issued	-	-	1,033	-	-	-	-	1,033
Issuance of stock upon vesting of restricted share awards	2,772	1	(1)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	(34)	-	-	-	(34)
Net income	-	-	-	-	2,259	-	-	2,259
Balance, September 27, 2025	17,948,409	\$898	\$121,453	(\$2,757)	\$4,292	10,537,899	(\$82,508)	\$41,378

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Issued Shares	Amount				Shares	Amount	
Balance, December 30, 2023	17,673,427	\$882	\$116,579	(\$2,813)	(\$19,265)	9,828,606	(\$69,593)	\$25,790
Issuance of stock under employee stock purchase plan	22,789	1	363	-	-	-	-	364
Equity compensation expense from awards issued	-	-	635	-	-	-	-	635
Issuance of stock upon vesting of restricted share awards	124,044	6	(6)	-	-	-	-	-
Retirement of common shares	(44,567)	(2)	(1,315)	-	-	-	-	(1,317)
Foreign currency translation adjustment	-	-	-	(27)	-	-	-	(27)
Net income	-	-	-	-	3,952	-	-	3,952
Balance, March 30, 2024	17,775,693	\$887	\$116,256	(\$2,840)	(\$15,313)	9,828,606	(\$69,593)	\$29,397
Equity compensation expense from awards issued	-	-	752	-	-	-	-	752
Purchase of treasury stock	-	-	-	-	-	280,378	(5,391)	(5,391)
Foreign currency translation adjustment	-	-	-	(68)	-	-	-	(68)
Net income	-	-	-	-	3,762	-	-	3,762
Balance, June 29, 2024	17,775,693	\$887	\$117,008	(\$2,908)	(\$11,551)	10,108,984	(\$74,984)	\$28,452
Issuance of stock under employee stock purchase plan	22,822	1	363	-	-	-	-	364
Equity compensation expense from awards issued	-	-	767	-	-	-	-	767
Purchase of treasury stock	-	-	-	-	-	127,275	(2,410)	(2,410)
Issuance of stock upon vesting of restricted share awards	34,772	2	(2)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	121	-	-	-	121
Net income	-	-	-	-	2,746	-	-	2,746
Balance, September 28, 2024	17,833,287	\$890	\$118,136	(\$2,787)	(\$8,805)	10,236,259	(\$77,394)	\$30,040

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024
Cash flows from operating activities:		
Net income	\$10,230	\$10,460
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,364	1,148
Equity compensation expense from awards issued	2,939	2,154
Deferred income tax expense	(15)	147
Change in operating right of use assets	792	751
Changes in operating assets and liabilities:		
Accounts receivable and contract assets	(5,249)	(5,207)
Prepaid expenses and other current assets	2,865	(475)
Net of transit accounts receivable and payable	(9,330)	(311)
Accounts payable and accrued expenses	(69)	(760)
Accrued payroll and related costs	2,860	433
Operating lease liabilities	(809)	(686)
Income taxes payable	(108)	(106)
Deferred revenue	2,098	161
Deposits	(48)	98
Total adjustments and changes in operating assets and liabilities	(2,710)	(2,653)
Net cash provided by operating activities	7,520	7,807
Cash flows from investing activities:		
Property and equipment acquired	(1,398)	(1,589)
Net cash used in investing activities	(1,398)	(1,589)
Cash flows from financing activities:		
Net repayments under line of credit	(3,432)	(327)
Issuance of stock for employee stock purchase plan	615	728
Payment of taxes on restricted share awards	(938)	(1,317)
Changes in finance lease obligations	(601)	(418)
Purchase of treasury stock	(5,115)	(7,801)
Net cash used in financing activities	(9,471)	(9,135)
Effect of exchange rate changes on cash and cash equivalents	(71)	(211)
Decrease in cash and cash equivalents	(3,420)	(3,128)
Cash and cash equivalents at beginning of period	4,729	6,284
Cash and cash equivalents at end of period	\$1,309	\$3,156
Supplemental cash flow information:		
Cash paid for:		
Interest	\$2,045	\$1,545
Income taxes	\$3,830	\$4,746
Non-cash financing activities:		
Right of use assets in exchange for lease obligations	\$327	\$3,264
Software purchased under finance lease	\$222	\$2,172

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

1. Basis of Presentation

The accompanying condensed consolidated interim financial statements of RCM Technologies, Inc. and subsidiaries (“RCM” or the “Company”) are unaudited. The year-end consolidated balance sheet was derived from the Company’s audited statements but does not include all disclosures required by accounting principles generally accepted in the United States. These statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission pertaining to reports on Form 10-Q and should be read in conjunction with the Company’s consolidated financial statements and the notes thereto for the year ended December 28, 2024 included in the Company’s Annual Report Form 10-K for such period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

The condensed consolidated financial statements for the unaudited interim periods presented include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for such interim periods.

Results for the thirteen and thirty-nine weeks ended September 27, 2025 and September 28, 2024 are not necessarily indicative of results that may be expected for the full year or any future period.

Fiscal Year

The Company follows a 52/53 week fiscal reporting calendar ending on the Saturday closest to December 31. The current fiscal year ending January 3, 2026 (fiscal 2025) is a 53-week reporting year and the prior fiscal year ended December 28, 2024 (fiscal 2024) was 52-week reporting year. The fiscal quarters for fiscal 2025 and fiscal 2024 align as follows:

Fiscal 2025 Quarters	Weeks	Fiscal 2024 Quarters	Weeks
March 29, 2025	Thirteen	March 30, 2024	Thirteen
June 28, 2025	Thirteen	June 29, 2024	Thirteen
September 27, 2025	Thirteen	September 28, 2024	Thirteen
January 3, 2026	Fourteen	December 28, 2024	Thirteen

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation. These classifications had no effect on the previously reported results of operations.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

2. Use of Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The Company uses estimates to determine a provision for credit losses on its accounts receivable, contingent consideration, litigation, medical claims, vacation, goodwill impairment, if any, equity compensation, the tax rate applied and the valuation of certain assets and liability accounts. In addition, the Company reviews its estimated costs to complete a contract and adjusts those costs when necessary. These estimates can be significant to the operating results and financial position of the Company. The estimates are based upon various factors including current and historical trends, as well as other pertinent industry and regulatory authority information. Management regularly evaluates this information to determine if it is necessary to update the basis for its estimates and to adjust for known changes.

The Company has risk participation arrangements with respect to workers compensation and healthcare insurance. The amounts included in the Company's costs related to this risk participation are estimated and can vary based on changes in assumptions, the Company's claims experience or the providers included in the associated insurance programs.

The Company can be affected by a variety of factors including uncertainty relating to the performance of the general economy, competition, demand for the Company's services, adverse litigation and claims and the hiring, training and retention of key employees.

Fair Value of Financial Instruments

The Company's carrying value of financial instruments, consisting primarily of accounts receivable, transit accounts receivable, accounts payable and accrued expenses, transit accounts payable and borrowings under line of credit approximates fair value due to their liquidity or their short-term nature and the line of credit's variable interest rate. The Company does not have derivative products in place to manage risks related to foreign currency fluctuations for its foreign operations or for interest rate changes.

The Company re-measures the fair value of the contingent consideration at each reporting period and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings in the accompanying consolidated statement of operations.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

3. Revenue Recognition

The Company records revenue under Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. Revenue is recognized when we satisfy a performance obligation by transferring services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under ASC 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Company derives its revenue from several sources. The Company’s Engineering Services and Life Sciences, Data and Solutions segments perform consulting and project solution services. The Healthcare segment specializes in long-term and short-term staffing and placement services to hospitals, schools and long-term care facilities amongst others. All of the Company’s segments perform staff augmentation services and derive revenue from permanent placement fees.

The following table presents our revenue disaggregated by revenue source for the thirteen and thirty-nine weeks ended September 27, 2025 and September 28, 2024:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Specialty Health Care:				
Time and Material	\$29,563	\$26,114	\$114,957	\$100,530
Permanent Placement Services	436	440	1,147	1,138
Total Specialty Health Care	\$29,999	\$26,554	\$116,104	\$101,668
Engineering:				
Time and Material	\$14,134	\$11,810	\$43,648	\$34,273
Fixed Fee	17,280	12,357	46,430	35,907
Total Engineering	31,414	\$24,167	\$90,078	\$70,180
Life Sciences, Data and Solutions:				
Time and Material	\$5,977	\$7,139	\$17,891	\$23,962
Permanent Placement Services	6	76	192	187
Fixed Fee	2,893	2,429	8,663	5,471
Total Life Sciences, Data and Solutions	\$8,876	\$9,644	\$26,746	\$29,620
	\$70,289	\$60,365	\$232,928	\$201,468

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

3. Revenue Recognition (Continued)

Time and Material

The Company's Health Care segment predominantly recognizes revenue through time and material work while its Engineering and Life Sciences, Data and Solutions segments recognize revenue through both time and material and fixed fee work. The Company's time and material contracts are typically based on the number of hours worked at contractually agreed upon rates, therefore revenue associated with these time and materials contracts are recognized based on hours worked at contracted rates.

Fixed Fee

From time to time and predominantly in our Engineering segment, the Company enters into contracts requiring the completion of specific deliverables. The Company has master services agreements with many of its customers that broadly define terms and conditions. Actual services performed under fixed fee arrangements are typically delivered under purchase orders that more specifically define terms and conditions related to that fixed fee project. While these master services agreements can often span several years, the Company's fixed fee purchase orders are typically performed over six to nine month periods. In instances where project services are provided on a fixed-price basis, revenue is recorded in accordance with the terms of each contract. The Company recognizes revenue from performance obligations that are satisfied over time based on the Company's efforts or inputs toward satisfying a performance obligation, relative to the total expected inputs to the satisfaction of such performance obligation. These inputs include the costs of equipment, installation, and labor, and milestones reached. From time-to-time, amounts paid in excess of revenue earned and recognized are recorded as deferred revenue. Some contracts also limit revenue and billings to specified maximum amounts. Provisions for contract losses, if any, are made in the period such losses are determined. For contracts where there is a specific deliverable and the work is not complete and the revenue is not recognized, the costs incurred are deferred as a prepaid asset. The associated costs are expensed when the related revenue is recognized.

Permanent Placement Services

The Company earns permanent placement fees from providing permanent placement services. These fees are typically based on a percentage of the compensation paid to the person placed with the Company's client. The Company guarantees its permanent placements on a prorated basis for 90 days. In the event a candidate is not retained for the 90-day period, the Company will provide a suitable replacement candidate. In the event a replacement candidate cannot be located, the Company will provide a prorated refund to the client. An allowance for refunds, based upon the Company's historical experience, is recorded in the financial statements.

Deferred Revenue

There was \$6.2 million of deferred revenue as of September 27, 2025. Deferred revenue was \$4.2 million as of December 28, 2024. Revenue is recognized when the service has been performed. Deferred revenue may be recognized over a period exceeding one year from the time it was recorded on the balance sheet, although this is an infrequent occurrence. For the thirteen week periods ended September 27, 2025, and September 28, 2024, the Company did not recognize any revenue that was included in deferred revenue at the beginning of the reporting period. For the thirty-nine weeks ended September 27, 2025 and September 28, 2024, the Company recognized revenue of \$4.2 million and \$1.9 million, respectively, that was included in deferred revenue at the beginning of the fiscal year.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

3. Revenue Recognition (Continued)

Concentration

During the thirty-nine weeks ended September 27, 2025, the Company had two customers exceed 10% of consolidated revenue, representing 19.6% and 13.2% of consolidated revenue, respectively. During the thirty-nine weeks ended September 28, 2024, the Company had two customers exceed 10% of consolidated revenue, representing 18.7% and 14.1% of consolidated revenue, respectively. In both periods presented, the customers are included in the Company's Specialty Health Care segment.

4. Accounts Receivable, Transit Accounts Receivable, Contract Assets and Transit Accounts Payable

The Company's accounts receivable and contract assets, net comprise the following:

	September 27, 2025	December 28, 2024
Billed	\$52,537	\$55,224
Unbilled	22,943	16,931
Contract assets	9,304	7,375
Provision for credit losses	(1,541)	(1,570)
<u>Accounts receivable and contract assets, net</u>	<u>\$83,243</u>	<u>\$77,960</u>

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. Accounts receivable and contract assets represent services where payment is only contingent on the passage of time. Billed receivables primarily represent revenue earned that has been invoiced to customers by the balance sheet date or shortly thereafter, and where the client will typically pay per agreed upon terms. Unbilled receivables primarily represent revenue earned whereby those services are ready to be billed as of the balance sheet date but have not yet been processed for invoicing. Contract assets primarily represents revenue earned under contracts which the Company contractually invoices at future dates per milestones based in the purchase order. These milestones are generally set as a convenience for the customer. Eventual payment is not contingent as the contracts associated with this revenue predominantly include terms that require payment for all services from the last invoice through the termination date.

From time to time, the Company's Engineering segment enters into agreements to provide, among other things, construction management and engineering services. Pursuant to these agreements, the Company a) may purchase equipment on behalf of the Company's customer or engage subcontractors to provide construction or other services; b) typically earns a fixed percentage of the total project value; and c) assumes no ownership or risks of inventory. In such situations, the Company acts as an agent under the provisions of FASB ASC 606 "Revenue from Contracts with Customers" and therefore recognizes revenue on a "net-basis." The Company records revenue on a "net" basis on relevant engineering and construction management projects, which require subcontractor/procurement costs or transit costs. In those situations, the Company charges the client a negotiated fee, which is reported as net revenue when earned.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

4. Accounts Receivable, Transit Accounts Receivable, Contract Assets and Transit Accounts Payable (Cont'd)

Under the terms of the agreements, the Company is typically not required to pay the subcontractor until after the corresponding payment from the Company's end-client is received. Upon invoicing the end-client on behalf of the subcontractor or staffing agency, the Company records this amount simultaneously as both a "transit account receivable" and "transit account payable," as the amount when paid to the Company is due to and generally paid to the subcontractor within a few days. The Company typically does not pay a given transit account payable until the related transit account receivable is collected. The Company is typically obligated to pay the subcontractor or staffing agency whether or not the client pays the Company. The Company's transit accounts payable generally exceeds the Company's transit accounts receivable but absolute amounts and spreads fluctuate significantly from quarter to quarter in the normal course of business. The transit accounts receivable was \$6.2 million and related transit accounts payable was \$13.4 million, for a net payable of \$7.2 million, as of September 27, 2025. The transit accounts receivable was \$7.3 million and related transit accounts payable was \$23.9 million, for a net payable of \$16.6 million, as of December 28, 2024.

5. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization, and are depreciated or amortized on the straight-line method at rates calculated to provide for retirement of assets at the end of their estimated useful lives. Computer hardware and software, and furniture and office equipment are typically depreciated over five years. Leasehold improvements are amortized over the shorter of the estimated life of the asset or the lease term.

Property and equipment comprise the following:

	September 27, 2025	December 28, 2024
Computers and systems	\$9,852	\$8,448
Equipment and furniture	425	306
Leasehold improvements	653	590
Laboratory equipment	229	196
	11,159	\$9,540
Less: accumulated depreciation and amortization	3,535	2,172
Property and equipment, net	\$7,624	\$7,368

The Company periodically writes off fully depreciated and amortized assets. The Company wrote off fully depreciated and amortized assets of \$1 during the thirty-nine week period ended September 27, 2025, and \$166 during the thirty-nine week period ended September 28, 2024. Depreciation and amortization expense of property and equipment for the thirteen weeks ended September 27, 2025 and September 28, 2024 was \$539 and \$393, respectively. Depreciation and amortization expense of property and equipment for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 was \$1,364 and \$1,012, respectively.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

6. Acquisitions and Divestitures

Future Contingent Payments

As of September 27, 2025, the Company had one acquisition agreement whereby additional contingent consideration may be earned by the sellers: effective September 30, 2018, the Company acquired certain assets of Thermal Kinetics Engineering, PLLC and Thermal Kinetics Systems, LLC. The Company estimates future contingent payments at September 27, 2025 as follows:

	Total
Payable in fiscal 2025	\$212
Thereafter	\$0

For acquisitions that involve contingent consideration, the Company records a liability equal to the fair value of the estimated contingent consideration obligation as of the acquisition date. The Company determines the acquisition date fair value of the contingent consideration based on the likelihood of paying the additional consideration. The fair value is estimated using projected future operating results and the corresponding future earn-out payments that can be earned upon the achievement of specified operating objectives and financial results by acquired companies using Level 3 inputs and the amounts are then discounted to present value. These liabilities are measured quarterly at fair value, and any change in the fair value of the contingent consideration liability is recognized in the consolidated statements of operations. During the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in the consolidated statements of operations.

Estimates of future contingent payments are subject to significant judgment and actual payments may materially differ from estimates. The Company estimates future contingent consideration payments based on forecasted performance and recorded the fair value of those expected payments as of September 27, 2025. Contingent consideration related to acquisitions is recorded at fair value (level 3) with changes in fair value recorded in operating expense.

Potential future contingent payments for acquisitions after September 27, 2025 are capped at a cumulative maximum of \$0.2 million. The Company did not pay contingent consideration during the thirty-nine week periods ended September 27, 2025 and September 28, 2024.

7. Goodwill

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets acquired in business combinations. The Company tests goodwill for impairment on an annual basis as of the last day of the Company's fiscal year, or more frequently if events or circumstances indicate that the fair value of goodwill may be below its carrying amount. The Company reviewed industry and market conditions, reported unit-specific events, and overall financial performance, and determined that no indicators of impairment of goodwill existed during the thirty-nine weeks ended September 27, 2025. As such, no impairment loss on the Company's intangible assets during the thirty-nine weeks ended September 27, 2025, was recorded because of such review.

The carrying amount of goodwill as of September 27, 2025, and December 28, 2024, was as follows:

Engineering	Specialty Health Care	Life Sciences, Data and Solutions	Total
\$11,918	\$2,398	\$7,831	\$22,147

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

8. Line of Credit

On December 3, 2024, the Company entered into a Fifth Amended and Restated Loan Agreement (the “Fifth Amended and Restated Loan Agreement”) with Citizens Bank, N.A., as lender (in such capacity, the “Lender”) and as administrative agent and arranger (in such capacity, the “Administrative Agent”), to amend and restate in its entirety that certain Fourth Amended and Restated Agreement dated as of April 24, 2023 (as the same has been amended and modified prior to the date hereof, the “Existing Loan Agreement”).

The Fifth Amended and Restated Loan Agreement is increased from \$45.0 million under the Fourth Amended and Restated Agreement to \$65.0 million (with an accordion feature permitting the increase of the total commitment by an additional \$20.0 million, subject to the consent of the Administrative Agent and the Lenders), and permits the Borrowers to request the issuance of trade and standby letters of credit thereunder. The Fifth Amended and Restated Loan Agreement has a maturity date of December 3, 2029.

Borrowings under the Revolving Credit Facility bear interest at one of two alternative rates, as selected by the Company at each incremental borrowing. These alternatives are: (i) SOFR (Secured Overnight Financing Rate), plus applicable margin or (ii) the agent bank’s prime rate generally borrowed over shorter durations. The Company also pays unused line fees based on the amount of the Revolving Credit Facility that is not drawn. Unused line fees are recorded as interest expense. The effective weighted average interest rate, including unused line fees, for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 were 6.2% and 6.8%, respectively.

All borrowings under the Fifth Amended and Restated Loan Agreement remain collateralized with substantially all of the Company’s assets, as well as the capital stock of its subsidiaries. The Revolving Credit Facility also contains various financial and non-financial covenants, such as a covenant that restricts the Company’s ability to borrow in order to pay dividends. As of September 27, 2025, the Company was in compliance with all covenants contained in the Revolving Credit Facility. The Company believes that it will maintain compliance with its financial covenants for the foreseeable future.

Borrowings under the line of credit as of September 27, 2025 and December 28, 2024 were \$31.5 million and \$35.0 million, respectively. There were letters of credit outstanding at September 27, 2025 and December 28, 2024 for \$13.1 million and \$7.4 million, respectively. At September 27, 2025 and December 28, 2024, the Company had availability for additional borrowings under the Revolving Credit Facility of \$20.4 million and \$22.6 million, respectively.

9. Per Share Data

The Company uses the treasury stock method to calculate the weighted-average shares outstanding used for diluted earnings per share. The number of weighted-average shares used to calculate basic and diluted earnings per share for the thirteen and thirty-nine weeks ended September 27, 2025 and September 28, 2024 was determined as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Basic weighted average shares outstanding	7,409,009	7,634,113	7,477,434	7,783,481
Dilutive effect of outstanding restricted share awards	205,686	155,333	179,495	206,757
Diluted weighted average shares outstanding	7,614,695	7,789,446	7,656,929	7,990,238

For all periods presented, there were no anti-dilutive shares included in the calculation of common stock equivalents as there were no stock options outstanding.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

9. Per Share Data (Continued)

Unissued shares of common stock were reserved for the following purposes:

	September 27, 2025	December 28, 2024
Time-based restricted stock awards outstanding	231,248	289,421
Performance-based restricted stock awards outstanding	287,263	300,000
Future grants of options or shares	247,417	295,680
Shares reserved for employee stock purchase plan	216,574	252,119
Total	982,502	1,137,220

10. Share-Based Compensation

At September 27, 2025, the Company had two share-based employee compensation plans, the Employee Stock Purchase Plan and the 2014 Omnibus Equity Compensation Plan.

The Company measures the fair value of share-based awards, if and when granted, based on the Black-Scholes method and using the closing market price of the Company's common stock on the date of grant. Awards typically vest over periods ranging from one to five years and expire within 10 years of issuance. The Company may also issue immediately vested equity awards. Share-based compensation expense related to time-based awards is amortized in accordance with applicable vesting periods using the straight-line method. The Company expenses performance-based awards only when the performance metrics are likely to be achieved and the associated awards are therefore likely to vest. Performance-based share awards that are likely to vest are also expensed on a straight-line basis over the vesting period but may vest on a retroactive basis or be reversed, depending on when it is determined that they are likely to vest, or in the case of a reversal when they are later determined to be unlikely to vest or forfeited. Discussion of share and share-based awards herein references awards of shares and share units.

Share-based compensation expense for the thirteen weeks ended September 27, 2025 and September 28, 2024 was \$1,033 and \$767, respectively. Share-based compensation expense for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 was \$2,939 and \$2,154, respectively. Share-based compensation expense for performance-based equity agreements was \$1.9 million and \$1.1 million for the for the thirty-nine weeks ended September 27, 2025 and September 28, 2024, respectively. Share-based compensation expense is included in selling, general and administrative expense in the Company's condensed consolidated statement of operations.

As of September 27, 2025, the Company had \$7.3 million of total unrecognized compensation cost, with approximately \$2.2 million related to time-based non-vested share-based awards outstanding and \$5.1 million related to performance-based non-vested share-based awards outstanding. The Company expects to recognize the expense associated with time-based non-vested share-based awards through fiscal 2035. If earned, the Company will recognize the expense associated with performance-based non-vested share-based awards straight-line through fiscal 2030. These amounts do not include a) the cost of any additional share-based awards granted in future periods or b) the impact of any potential changes in the Company's forfeiture rate.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

10. Share-Based Compensation (Continued)

Incentive Share-Based Plans

Employee Stock Purchase Plan

The Company implemented the 2001 Employee Stock Purchase Plan (the “Purchase Plan”) with shareholder approval, effective January 1, 2001. Under the Purchase Plan, employees meeting certain specific employment qualifications are eligible to participate and can purchase shares of common stock semi-annually through payroll deductions at the lower of 85% of the fair market value of the stock at the commencement or end of the offering period. The purchase plan permits eligible employees to purchase shares of common stock through payroll deductions for up to 10% of qualified compensation, subject to maximum purchases in any one fiscal year of 3,000 shares.

In fiscal 2015, the Company amended the Purchase Plan with shareholder approval to increase the aggregate number of shares of stock reserved for issuance or transfer under the Purchase Plan by an additional 300,000 shares so that the total number of shares of stock reserved for issuance or transfer under the Plan shall be 1,100,000 shares and to extend the expiration date of the Purchase Plan to December 31, 2025. In fiscal 2018, the Company amended the Purchase Plan with shareholder approval to increase the aggregate number of shares of stock reserved for issuance or transfer under the Purchase Plan by an additional 300,000 shares so that the total number of shares of stock reserved for issuance or transfer under the Plan shall be 1,400,000 shares. In fiscal 2021, the Company amended the Purchase Plan with shareholder approval to increase the aggregate number of shares of stock reserved for issuance or transfer under the Purchase Plan by an additional 400,000 shares so that the total number of shares of stock reserved for issuance or transfer under the Plan shall be 1,800,000 shares and the termination date of the Purchase Plan was extended to December 31, 2030.

The Company has two offering periods in the Purchase Plan coinciding with the Company’s first two fiscal quarters and the last two fiscal quarters. Actual shares are issued on the first business day of the subsequent offering period for the prior offering period payroll deductions. The number of shares issued on June 30, 2025 (the first business day following the previous offering period) was 17,353. As of September 27, 2025, there were 216,574 shares available for issuance under the Purchase Plan. Compensation expense, representing the discount to the quoted market price, for the Purchase Plan for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 was \$223 and \$246, respectively.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

10. Share-Based Compensation (Continued)

2014 Omnibus Equity Compensation Plan (the 2014 Plan)

The 2014 Plan, approved by the Company's shareholders in December 2014, initially provided for the issuance of up to 625,000 shares of the Company's common stock to officers, non-employee directors, employees of the Company and its subsidiaries, or consultants and advisors utilized by the Company. In fiscal 2016, fiscal 2020 and fiscal 2022, the Company amended, or amended and restated, the 2014 Plan with shareholder approval to increase the aggregate number of shares of stock reserved for issuance under the Plan by an additional 500,000, 850,000 and 1,000,000 shares, respectively, so that the total number of shares of stock reserved for issuance under the Plan is 2,975,000 shares. The expiration date of the Plan is December 17, 2030, unless the 2014 Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders. The Compensation Committee of the Board of Directors determines the vesting period at the time of grant.

All stock awards typically include dividend accrual equivalents, which means that any dividends paid by the Company during the vesting period become due and payable after the vesting period assuming the grantee's stock award fully vests. Dividends for these grants are accrued on the dividend payment dates and included in accounts payable and accrued expenses on the accompanying consolidated balance sheet. As of September 27, 2025, there were no accrued dividends. Dividends for stock awards that ultimately do not vest are forfeited.

As of September 27, 2025, under the 2014 Plan, 231,248 time-based shares were outstanding, 287,263 performance-based restricted stock awards were outstanding and 247,417 shares were available for awards.

The intrinsic value of all equity grants for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 was \$13.6 million and \$11.1 million, respectively. These amounts are based on the equity price on the last trading day in the period presented.

Time-Based Restricted Stock Awards

From time-to-time the Company issues time-based restricted stock awards. The following summarizes the activity in the time-based restricted stock awards under the 2014 Plan during the thirty-nine weeks ended September 27, 2025:

	Number of Time-Based Restricted Stock Awards	Weighted Average Grant Date Fair Value per Share
Outstanding non-vested at December 28, 2024	289,421	\$12.65
Granted	18,500	\$16.26
Vested	(56,673)	\$13.15
Forfeited or expired	(20,000)	\$6.15
Outstanding non-vested at September 27, 2025	231,248	\$13.37

Based on the closing price of the Company's common stock of \$27.01 per share on September 26, 2025 (the last trading day prior to September 27, 2025), the intrinsic value of the time-based non-vested restricted stock awards at September 27, 2025 was approximately \$6.2 million. As of September 27, 2025, there was approximately \$2.2 million of total unrecognized compensation cost related to time-based restricted stock awards, which is expected to be recognized over the average weighted remaining vesting period of the restricted stock awards through fiscal 2035.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

10. Share-Based Compensation (Continued)

Performance-Based Restricted Stock Awards

From time-to-time the Company issues performance-based restricted stock awards to its executives. Performance-based restricted stock awards are typically vested based on certain multi-year performance metrics as determined by the Board of Directors Compensation Committee.

The following summarizes the activity in the performance-based restricted stock awards during the thirty-nine weeks ended September 27, 2025:

	Number of Performance- Based Restricted Stock Awards	Weighted Average Grant Date Fair Value per Share
Outstanding non-vested at December 28, 2024	300,000	\$28.79
Granted	99,763	\$16.20
Vested	(62,500)	\$29.00
Forfeited or expired	(50,000)	\$27.73
Outstanding non-vested at September 27, 2025	287,263	\$24.55

The Company assesses at each reporting date whether achievement of any performance condition is probable and recognizes the expense when achievement of the performance condition becomes probable. The Company will then recognize the appropriate expense cumulatively in the year performance becomes probable and recognize the remaining compensation cost over the remaining requisite service period. If at a later measurement date, the Company determines that performance-based restricted stock awards deemed as likely to vest are deemed as unlikely to vest, the expense recognized will be reversed.

Share-based compensation for performance-based equity agreements was \$0.7 million and \$0.5 million for the thirteen week periods ended September 27, 2025 and September 28, 2024, respectively. Share-based compensation for performance-based equity agreement was \$1.9 million and \$1.1 million for the thirty-nine week periods ended September 27, 2025 and September 28, 2024, respectively.

There were no immediately vested share awards during the thirty-nine weeks ended September 27, 2025 or September 28, 2024.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

11. Treasury Stock and Retired Share Transactions

On March 29, 2024, the Board authorized a program to repurchase shares of its common stock up to an amount not to exceed \$50.0 million, inclusive of amounts remaining under the existing repurchase authorization. The program (the Treasury Stock Repurchase Plan) is designed to provide the Company with enhanced flexibility over the long term to optimize its capital structure. Shares of the Common Stock may be repurchased in the open market or through negotiated transactions. The program may be terminated or suspended at any time at the discretion of the Company. The Company may enter into a Rule 10b5-1 trading plan to effect a portion of the authorized purchases if the criteria set forth in the plan are met. Such a plan would enable the Company to repurchase its shares during periods outside of its normal trading windows when the Company typically would not be active in the market.

During the thirty-nine weeks ended September 27, 2025, the Company purchased 301,640 shares at an average price of \$16.89 per share. During the thirty-nine weeks ended September 28, 2024, the Company purchased 407,653 shares at an average price of \$19.09 per share. As of September 27, 2025, the Company had \$37.1 million available for future treasury stock purchases.

The Company accrued \$18 in excise tax associated with its Treasury Stock Repurchase Plan during the thirty-nine weeks ended September 27, 2025. The Company accrued \$25 in excise tax associated with its Treasury Stock Repurchase Plan during the thirty-nine weeks ended September 28, 2024. Excise tax is recorded directly to additional paid-in capital.

During the thirty-nine weeks ended September 27, 2025, the Company issued and retired 44,681 shares associated with equity grants that vested, the proceeds of which were used to fund payroll taxes related to the vested shares. During the thirty-nine weeks ended September 28, 2024, the Company issued and retired 44,567 shares associated with equity grants that vested, the proceeds of which were used to fund payroll taxes related to the vested shares.

12. New Accounting Standards and Updates

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires the annual financial statements to include consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company's annual reporting periods beginning after December 15, 2024, with early adoption permitted, and should be applied on a prospective basis, with a retrospective option. We are currently evaluating the effect that adoption of this ASU will have on our disclosures.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40). The ASU requires the disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of selling expenses. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all periods presented in the consolidated financial statements. Early adoption is also permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted. We are currently evaluating the provisions of this ASU.

In July 2025, the FASB issued ASU 2025-05, Measurement of Credit Losses for Accounts Receivable and Contract Assets (Financial Instruments – Credit Losses (Topic 326) This amendment allows entities to elect a practical expedient that all entities can use when estimating receivable and contract assets arising from transactions accounted for under ASC 606, revenue from contracts with customers. The amendment adds a practical expedient and an accounting policy election. The ASU is effective for annual reporting periods beginning after December 15, 2025. We are currently evaluating the provisions of this ASU.

In August 2025, the FASB issued ASU 2025-06, Intangibles -Goodwill and Other – Internal-Use Software (Subtopic 350-40). The narrowly drawn changes primarily focus on how companies decide when to count software development costs as an asset (capitalize them). Under the new guidance, a company can capitalize software costs once two conditions are met: the company’s leadership has approved and committed to funding the project and, and it is likely the project will be finished, and the software will work as intended. The ASU is effective for annual reporting periods beginning after December 15, 2027. We are currently evaluating the provisions of this ASU.

13. Segment Information

The Company follows ASC 280, “Segment Reporting,” which establishes standards for companies to report information about operating segments, geographic areas and major customers. The accounting policies of each reportable segment are the same as those described in the summary of significant accounting policies (see Note 1 to the Company’s Consolidated Financial Statements).

The Company reports segment information based on the management approach, which designates the internal reporting used by the Chief Operating Decision Makers (“CODMs”), who were Bradley Vizi, Chief Executive Officer, and Kevin Miller, Chief Financial Officer. The Company’s CODMs are responsible for making decisions regarding the Company’s business, including resource allocations and performance assessments based on historical and future segment revenue, operating expenses, and operating income (loss) before interest and taxes.

In the second quarter of 2025, the Company made certain revisions to the internal measurement of segment operating results for the purpose of evaluating segment performance and resource allocation. The revised segment reporting now presents corporate operating costs separately instead of allocating them to the operating segments. The revision was the result of a shift in the CODM’s more granular and independent focus on the now four segments. We have presented 2025 segment operating results herein using the new methodology and prior period disclosures have been revised to present results on a comparable basis.

The following tables summarize the results of operations and total assets by segment provided to the CODMs. Segment operating income (loss) includes selling, general, and administrative expenses directly attributable to that segment. The following tables reflect the results of the reportable segments consistent with the Company’s management system:

Thirteen Weeks Ended September 27, 2025	Specialty Health Care	Engineering	Life Sciences, Data & Solutions	Corporate	Total
Revenue	\$30,000	\$31,419	\$8,870	\$-	\$70,289
Cost of services	21,010	24,507	5,362	-	50,879
Gross profit	8,990	6,912	3,508	-	19,410
Selling, general and administrative	6,205	2,945	1,411	4,372	14,933
Depreciation and amortization of property and equipment	83	217	34	205	539
Operating income (loss)	\$2,702	\$3,750	\$2,063	(\$4,577)	\$3,938
Total assets as of September 27, 2025	\$48,018	\$56,313	\$16,918	\$8,566	\$129,815
Property and equipment acquired	\$65	\$140	\$-	\$293	\$498

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

13. Segment Information (Continued)

Thirteen Weeks Ended September 28, 2024	Specialty Health Care	Engineering	Life Sciences, Data & Solutions	Corporate	Total
Revenue	\$26,554	\$24,167	\$9,644	\$ -	\$60,365
Cost of services	18,271	18,273	5,980	-	42,524
Gross profit	8,283	5,894	3,664	-	17,841
Selling, general and administrative	4,947	2,872	1,647	3,552	13,018
Depreciation and amortization of property and equipment	102	168	41	82	393
Amortization of acquired intangible assets	-	-	45	-	45
Operating income (loss)	\$3,234	\$2,854	\$1,931	(\$3,634)	\$4,385
Total assets as of September 28, 2024	\$40,525	\$52,321	\$21,681	\$11,018	\$125,545
Property and equipment acquired	\$68	\$378	\$ -	\$76	\$522

Thirty-Nine Weeks Ended September 27, 2025	Specialty Health Care	Engineering	Life Sciences, Data & Solutions	Corporate	Total
Revenue	\$116,105	\$90,082	\$26,741	\$-	\$232,928
Cost of services	82,634	70,496	16,133	-	169,263
Gross profit	33,471	19,586	10,608	-	63,665
Selling, general and administrative	18,249	9,095	4,326	13,509	45,179
Depreciation and amortization of property and equipment	270	547	112	435	1,364
Operating income (loss)	\$14,952	\$9,944	\$6,170	(\$13,944)	\$17,122
Total assets as of September 27, 2025	\$48,018	\$56,313	\$16,918	\$8,566	\$129,815
Property and equipment acquired	\$194	\$382	\$32	\$790	\$1,398

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

13. Segment Information (Continued)

Thirty-Nine Weeks Ended September 28, 2024	Specialty Health Care	Engineering	Life Sciences, Data & Solutions	Corporate	Total
Revenue	\$101,668	\$70,180	\$29,620	\$ -	\$201,468
Cost of services	71,672	52,818	18,769	-	143,259
Gross profit	29,996	17,362	10,851	-	58,209
Selling, general and administrative	15,701	8,684	5,378	10,999	40,762
Depreciation and amortization of property and equipment	282	444	109	177	1,012
Amortization of acquired intangible assets	-	-	136	-	136
Potential stock issuance and financial transactions	-	-	-	259	259
Operating income (loss)	\$14,013	\$8,234	\$5,228	(\$11,435)	\$16,040
Total assets as of September 28, 2024	\$40,525	\$52,321	\$21,681	\$11,018	\$125,545
Property and equipment acquired	235	\$622	\$20	\$712	\$1,589

The Company derives a majority of its revenue from offices in the United States. Revenues reported for each operating segment are all from external customers. The Company is domiciled in the United States and its segments operate in the United States, Canada, Puerto Rico, Europe and Philippines. Revenue by geographic area for the thirteen and thirty-nine weeks ended September 27, 2025 and September 28, 2024 was as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Revenue				
United States	\$61,374	\$55,322	\$213,438	\$185,742
Canada	1,749	1,895	5,608	4,982
Puerto Rico	1,523	1,568	4,674	5,588
Europe	5,643	1,580	9,208	5,156
	\$70,289	\$60,365	\$232,928	\$201,468

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

13. Segment Information (Continued)

Total assets by geographic area as of the reported periods were as follows:

	September 27, 2025	December 28, 2024
Total assets		
United States	\$121,267	\$123,905
Canada	1,770	1,423
Puerto Rico	2,475	3,286
Europe	4,013	3,408
Philippines	290	55
	<u>\$129,815</u>	<u>\$132,077</u>

14. Income Taxes

The Company recognized \$4.7 million of income tax expense for the thirty-nine weeks ended September 27, 2025 as compared to \$4.0 million for the comparable prior-year period. The consolidated effective income tax rate for the current period was 31.3% as compared to 27.5% for the comparable prior-year period. The effective income tax rates for the thirty-nine weeks ended September 27, 2025, were approximately 32.1%, 26.2%, 68.1%, and 24.4% in the United States, Canada, Europe, and the Philippines, respectively. The relative income or loss generated in each jurisdiction can materially impact the overall effective income tax rate of the Company, particularly the ratio of Canadian and European pretax income versus U.S. pretax income. The effective income tax rate can also be impacted by discrete permanent differences affecting any period presented. The comparable prior-year period estimated income tax rates were 28.3%, 26.2%, and 13.1% in the United States, Canada, and Europe, respectively. The primary reason for the increase in the consolidated and United States effective rates in the current period is due to increases to permanent tax differences in the United States. The high effective tax rate in Europe during the current period is due to low pretax income and certain fixed taxes.

Differences between the effective tax rate and the applicable U.S. federal statutory rate may arise, primarily from the effect of state and local income taxes, share-based compensation, and potential tax credits available to the Company. The actual 2025 effective tax rate may vary from the estimate depending on the actual operating income earned in various jurisdictions, the potential availability of tax credits, the vesting of share-based awards, and the amount of any permanent book to tax differences.

The One Big Beautiful Bill Act (OBBBA) was signed on July 4, 2025. The impact on income taxes due to change in legislation is required, under Accounting Standards Codification (“ASC”) 740, Income Taxes, to be recognized in the period in which the law is enacted, which is this fiscal year. In general, the OBBBA introduces changes to U.S. taxation, including changes in the taxation of non-U.S. income. The Company assessed the changes and concluded that they were not material.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

15. Contingencies

From time to time, the Company is a defendant in various legal actions that arise in the ordinary business course. These matters may relate to professional liability, tax, compensation, contract, competitor disputes, and employee-related matters and include individual and class action lawsuits, as well as inquiries and investigations by governmental agencies regarding the Company's employment and compensation practices. Additionally, some of the Company's clients may also become subject to claims, governmental inquiries and investigations, and legal actions relating to the Company's professional services. Depending upon the particular facts and circumstances, the Company may also be subject to indemnification obligations under its contracts with such clients relating to these matters.

As such, the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of losses and possible recoveries. The Company may not be covered by insurance as it pertains to some or all of these matters. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The Company records a liability when management believes an adverse outcome from a loss contingency is both probable and the amount, or a range, can be reasonably estimated. From time to time, the Company must estimate the potential loss even though the party adverse to the Company has not asserted any specific amounts. Significant judgment is required to determine both the probability of loss and the estimated amount. The Company reviews its loss contingencies at least quarterly and it adjusts its accruals and/or disclosures to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, or other new information, as deemed necessary. Once established, a provision may change in the future due to new developments or changes in circumstances. The Company could increase or decrease its earnings in the period that the changes are made.

The Company is exposed to various asserted claims as of September 27, 2025, where the Company believes it has a probability of loss. Additionally, the Company is exposed to other asserted claims whereby an amount of loss has not been declared, and the Company cannot determine the potential loss. Any of these various claims could result in an unfavorable outcome or settlement that exceeds the accrued amounts. However, the Company believes that such matters will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. As of September 27, 2025, the Company had accrued \$0.4 million for asserted claims.

The Company is also subject to other pending legal proceedings and claims that arise from time to time in the ordinary course of its business, which may not be covered by insurance.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

16. Leases

Leases are recorded in accordance with FASB ASC 842, Leases which requires lessees to recognize a right of use (“ROU”) asset and an operating right of use liability for all leases with terms greater than 12 months and requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases.

The Company determines if an arrangement is a lease at inception. For leases where the Company is the lessee, right of use assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The right of use asset also consists of any lease incentives received. The lease terms used to calculate the right of use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. The Company has lease agreements which require payments for lease and non-lease components. The Company has elected to account for these as a single lease component with the exception of its real estate leases.

The components of lease expense were as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Operating lease cost	\$351	\$332	\$1,046	\$1,017
Finance lease cost				
Amortization of right of use assets	\$237	\$181	\$599	\$413
Interest on lease liabilities	17	24	55	24
Total finance lease cost	\$254	\$205	\$654	\$437

Supplemental Cash Flow information related to leases was as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$367	\$300	\$1,043	\$862
Operating cash flows from finance leases	\$18	\$ -	\$60	\$1
Financing cash flows from finance leases	\$232	\$193	\$577	\$426
Right of use assets obtained in exchange for lease obligations				
Operating leases	\$59	\$ -	\$327	\$3,264
Finance leases	\$222	\$2,172	\$222	\$2,172

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts, unless otherwise indicated)

16. Leases (Continued)

Supplemental Balance Sheet information as of September 27, 2025 and December 28, 2024 related to leases was as follows:

	September 27, 2025	December 28, 2024
Operating leases		
Operating lease right of use assets	\$4,708	\$5,174
Operating right of use liability - current	(\$1,121)	(\$1,046)
Operating right of use liability - non-current	(3,796)	(4,355)
Total operating lease liabilities	(\$4,917)	(\$5,401)
Property and equipment - (right of use assets)	\$2,395	\$2,172
Accumulated depreciation	(961)	(362)
Property and equipment, net	\$1,434	\$1,810
Finance lease liability - current	(\$889)	(\$698)
Finance lease liability - non-current	(566)	(1,112)
Total finance lease liabilities	(\$1,455)	(\$1,810)
Weighted average remaining lease term in years		
Operating leases	3.70	4.41
Finance leases	1.64	2.50
Weighted average discount rate		
Operating leases	6.36 %	6.36 %
Finance leases	4.80 %	4.88 %

Maturities of lease liabilities are as follows:

Fiscal Year	Operating Leases	Finance Leases
2025 (After September 27, 2025)	\$356	\$250
2026	1,328	886
2027	1,135	387
2028	1,012	-
2029	665	-
Thereafter	1,168	-
Total lease payments	\$5,664	\$1,523
Less: imputed interest	(747)	(68)
Total	\$4,917	\$1,455

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Private Securities Litigation Reform Act Safe Harbor Statement

Certain statements included herein and in other reports and public filings made by RCM Technologies, Inc. ("RCM" or the "Company") are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding the adoption by businesses of new technology solutions; the use by businesses of outsourced solutions, such as those offered by the Company, in connection with such adoption; the Company's strategic and business initiatives and growth strategies; and the outcome of litigation (at both the trial and appellate levels) and arbitrations, or other business disputes, involving the Company. Readers are cautioned that such forward-looking statements, as well as others made by the Company, which may be identified by words such as "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "believe," and similar expressions, are only predictions and are subject to risks and uncertainties that could cause the Company's actual results and financial position to differ materially from such statements. Such risks and uncertainties include, without limitation: (i) unemployment and general economic conditions affecting the provision of life sciences, information technology and engineering services and solutions and the placement of temporary staffing personnel; (ii) the Company's ability to continue to attract, train and retain personnel qualified to meet the requirements of its clients; (iii) the Company's ability to identify appropriate acquisition candidates, complete such acquisitions and successfully integrate acquired businesses; (iv) the Company's relationships with and reliance upon significant customers, and ability to collect accounts receivable from such customers; (v) risks associated with foreign currency fluctuations and changes in exchange rates, particularly with respect to the Canadian dollar; (vi) uncertainties regarding amounts of deferred consideration and earnout payments to become payable to former shareholders of acquired businesses; (vii) the adverse effect a potential decrease in the trading price of the Company's common stock would have upon the Company's ability to acquire businesses through the issuance of its securities; (viii) the Company's ability to obtain financing on satisfactory terms; (ix) the reliance of the Company upon the continued service of its executive officers; (x) the Company's ability to remain competitive in the markets that it serves; (xi) the Company's ability to maintain its unemployment insurance premiums and workers compensation premiums; (xii) the risk of claims being made against the Company associated with providing temporary staffing services; (xiii) the Company's ability to manage significant amounts of information and periodically expand and upgrade its information processing capabilities; (xiv) the risk of cyber attacks on our information technology systems or those of our third party vendors; (xv) the Company's ability to remain in compliance with federal and state wage and hour laws and regulations; (xvi) uncertainties in predictions as to the future need for the Company's services; (xvii) uncertainties relating to the allocation of costs and expenses to each of the Company's operating segments; (xviii) the costs of conducting and the outcome of litigation, arbitrations and other business disputes involving the Company, and the applicability of insurance coverage with respect to any such litigation; (ixx) the results of, and costs relating to, any interactions with shareholders of the Company who may pursue specific initiatives with respect to the Company's governance and strategic direction, including without limitation a contested proxy solicitation initiated by such shareholders, or any similar such interactions; and (xx) other geopolitical, economic, competitive, health and governmental factors affecting the Company's operations, markets, products and services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as required by law, the Company undertakes no obligation to publicly release the results of any revision of these forward-looking statements to reflect these trends or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Overview

RCM participates in a market that is cyclical in nature and sensitive to economic changes. As a result, the impact of economic changes on revenue and operations can be substantial, resulting in significant volatility in the Company's financial performance.

The Company believes it has developed and assembled an attractive portfolio of capabilities, established a proven record of performance and credibility and built an efficient pricing structure. The Company is committed to optimizing its business model as a single-source premier provider of business and technology solutions with a strong vertical focus offering an integrated suite of services through a global delivery platform.

The Company believes that most companies recognize the importance of advanced technologies and business processes to compete in today's business climate. However, the process of designing, developing and implementing business and technology solutions is becoming increasingly complex. The Company believes that many businesses today are focused on return on investment analysis in prioritizing their initiatives. This has had an adverse impact on spending by current and prospective clients for many emerging new solutions.

Nonetheless, the Company continues to believe that businesses must implement more advanced life sciences, information technology, and engineering solutions—including Artificial Intelligence (AI) specifically Agentic AI, Quality by Design (QbD), and process automation—to upgrade their systems, applications, and processes. By leveraging AI, organizations can enhance data-driven decision-making and predictive analytics, while QbD principles ensure that quality is built into every stage of development and operations. Process automation further streamlines workflows, reduces manual intervention, and increases operational efficiency. These integrated approaches enable companies to maximize productivity and optimize performance, maintaining a competitive advantage even when operating under budgetary, personnel, and expertise constraints. As companies are driven to support increasingly complex systems, applications, and processes of significant strategic value, the demand for outsourcing—especially in areas involving AI, QbD, and automation—continues to rise. The Company believes that its current and prospective clients are actively evaluating the potential for outsourcing business-critical systems, applications, and processes that incorporate these advanced methodologies.

The Company provides project management and consulting services, which are billed based on either agreed-upon fixed fees or hourly rates, or a combination of both. The billing rates and profit margins for project management and solutions services are generally higher than those for professional consulting services. The Company generally endeavors to expand its sales of higher margin solutions and project management services. The Company also realizes revenue from client engagements that range from the placement of contract and temporary technical consultants to project assignments that entail the delivery of end-to-end solutions. These services are primarily provided to the client at hourly rates that are established for each of the Company's consultants based upon their skill level, experience and the type of work performed.

The majority of the Company's services are provided under purchase orders. Contracts are utilized on certain of the more complex assignments where the engagements are for longer terms or where precise documentation on the nature and scope of the assignment is necessary. Although contracts normally relate to longer-term and more complex engagements, they do not obligate the customer to purchase a minimum level of services and are generally terminable by the customer on 60 to 90 days' notice. The Company, from time to time, enters into contracts requiring the completion of specific deliverables. Typically, these contracts are for less than one year. The Company recognizes revenue on these deliverables at the time the client accepts and approves the deliverables.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Overview (Continued)

Costs of services consist primarily of salaries and compensation-related expenses for billable consultants and employees, including payroll taxes, employee benefits and insurance. Selling, general and administrative expenses consist primarily of salaries and benefits of personnel responsible for business development, recruiting, operating activities, and training, and include corporate overhead expenses. Corporate overhead expenses relate to salaries and benefits of personnel responsible for corporate activities, including the Company's corporate marketing, administrative and financial reporting responsibilities and acquisition program. The Company records these expenses when incurred. Corporate overhead expenses are allocated to the segments based on revenue for the purpose of segment financial reporting.

Critical Accounting Policies and Use of Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. In our consolidated financial statements, estimates are used for, but not limited to, accounts receivable and allowance for doubtful accounts, goodwill, long-lived intangible assets, accounting for stock options and restricted stock awards, insurance liabilities, accounting for income taxes and accrued bonuses. The various estimates and assumptions taken into account include:

- The provision for expected credit losses is determined based on the current and future financial condition of our clients with outstanding accounts receivable. The provision is updated when a change in a client's financial condition is identified.
- When determining whether an impairment of goodwill or of an intangible asset is indicated with respect to an acquired business, we take into account the financial condition of those of our three segments to which the acquired business relates.
- The market price of the Company's stock at each grant date is used to determine the expense associated with the Company's equity awards. The market price can fluctuate for different grant dates, and the disclosures are updated to reflect the change in the expense associated with equity awards.
- The Company maintains a self funded health and welfare plan. Claims history is reviewed to estimate claims incurred but not yet paid to determine the adequacy of the health and welfare accrual.
- Taxable income of the Company is used in determining an accurate income tax expense / accrual
- Bonus accruals are reviewed and adjusted on a regular basis depending on the profitability of the Company and individual bonus agreements.

A summary of our significant accounting policies is included in our Consolidated Financial Statements, Note 1, *Summary of Significant Accounting Policies*, in our Annual Report on Form 10-K for the year ended December 28, 2024. Certain of our accounting policies are considered critical, as these policies require significant, difficult or complex judgments by management, often requiring the use of estimates about the effects of matters that are inherently uncertain. Such policies are summarized in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 28, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Recently Issued Accounting Pronouncements

A discussion of the recently issued accounting pronouncements is set forth in Note 12, New Accounting Standards and Updates from the Securities and Exchange Commission, in the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Forward-looking Information

The Company's growth prospects are influenced by broad economic trends. The pace of customer capital spending programs, new product launches and similar activities have a direct impact on the need for engineering, life sciences, data and solutions. When the U.S., Canadian or global economies decline, the Company's operating performance could be adversely impacted. In addition, global events such as international conflicts, trade disputes, or health pandemics and endemics also have a substantial impact on our operations and financial results. The Company believes that its fiscal discipline, strategic focus on targeted vertical markets and diversification of service offerings provides some insulation from adverse trends. However, general economic declines could result in the need for future cost reductions or changes in strategy.

Additionally, changes in government regulations could result in prohibition or restriction of certain types of employment services or the imposition of new or additional employee benefits, licensing or tax requirements with respect to the provision of employment services that may reduce the Company's future earnings. There can be no assurance that the Company will be able to increase the fees charged to its clients in a timely manner and in a sufficient amount to cover increased costs as a result of any of the foregoing.

The consulting and employment services market is highly competitive with limited barriers to entry. The Company competes in global, national, regional and local markets with numerous competitors in all of the Company's service lines. Price competition in the industries the Company serves is significant, and pricing pressures from competitors and customers are increasing. The Company expects that the level of competition will remain high in the future, which could limit the Company's ability to maintain or increase its market share or profitability.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirteen Weeks Ended September 27, 2025 Compared to Thirteen Weeks Ended September 28, 2024

A summary of operating results for the thirteen weeks ended September 27, 2025 and September 28, 2024 is as follows (in thousands):

	September 27, 2025		September 28, 2024	
	Amount	% of Revenue	Amount	% of Revenue
Revenue	\$70,289	100.0	\$60,365	100.0
Cost of services	50,879	72.4	42,524	70.4
Gross profit	19,410	27.6	17,841	29.6
Selling, general and administrative	14,933	21.3	13,018	21.6
Depreciation and amortization of property and equipment	539	0.7	393	0.7
Amortization of acquired intangible assets	-	-	45	0.1
Operating costs and expenses	15,472	22.0	13,456	22.4
Operating income	3,938	5.6	4,385	7.2
Other expense, net	614	0.9	619	1.0
Income before income taxes	3,324	4.7	3,766	6.2
Income tax expense	1,065	1.5	1,020	1.7
Net income	\$2,259	3.2	\$2,746	4.5

The Company follows a 52/53 week fiscal reporting calendar ending on the Saturday closest to December 31. The fiscal quarters ended September 27, 2025 and September 28, 2024 consisted of thirteen weeks each.

Revenue. Revenue increased by \$9.9 million for the thirteen weeks ended September 27, 2025 as compared to the thirteen weeks ended September 28, 2024 (the “comparable prior-year period”). Revenue increased \$3.4 million in the Specialty Health Care segment, increased \$7.3 million in the Engineering segment and decreased \$0.8 million in the Life Sciences, Data and Solutions segment. See more detailed disclosure by segment in our Segment Discussion.

Cost of Services and Gross Profit. Cost of services increased by \$8.4 million for the thirteen weeks ended September 27, 2025 as compared to the comparable prior-year period, primarily due to the increase in revenue. Cost of services as a percentage of revenue for the thirteen weeks ended September 27, 2025 and September 28, 2024 was 72.4% and 70.4%, respectively. See Segment Discussion for further information regarding changes in cost of services and gross profit.

Selling, General and Administrative. Selling, general and administrative (“SGA”) expenses were \$14.9 million for the thirteen weeks ended September 27, 2025 as compared to \$13.0 million for the comparable prior-year period. As a percentage of revenue, SGA expense was 21.3% for the thirteen weeks ended September 27, 2025 as compared to 21.6% for the comparable prior-year period. See Segment Discussion for further information on SGA expense changes.

Other Expense, Net. Other expense, net consists of interest expense, unused line fees and amortized loan costs on the Company’s line of credit, net of interest income and gains and losses on foreign currency transactions. Other expense, net was unchanged as compared to the comparable prior year period. Interest expense increased by \$0.1 million due to increased borrowing.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirteen Weeks Ended September 27, 2025 Compared to Thirteen Weeks Ended September 28, 2024 (Continued)

Income Tax Expense. The Company recognized \$1.1 million of income tax expense for the thirteen weeks ended September 27, 2025 as compared to \$1.0 million for the comparable prior-year period. The consolidated effective income tax rate for the current period was 32.0% as compared to 27.1% for the comparable prior-year period. The effective income tax rates for the thirteen weeks ended September 27, 2025, were approximately 33.9%, 28.5%, 25.7%, and 45.3% in the United States, Canada, Europe, and the Philippines, respectively. The relative income or loss generated in each jurisdiction can materially impact the overall effective income tax rate of the Company, particularly the ratio of Canadian and European pretax income versus U.S. pretax income. The effective income tax rate can also be impacted by discrete permanent differences affecting any period presented. The comparable prior-year period estimated income tax rates were 28.3%, 26.2%, and 13.1% in the United States, Canada, and Europe, respectively. The primary reason for the increase in the consolidated and United States effective rates in the current period was due to increases to permanent tax differences in the United States. The high effective tax rate in the Philippines during the current period is due to a small adjustment in the current quarter.

Differences between the effective tax rate and the applicable U.S. federal statutory rate may arise, primarily from the effect of state and local income taxes, share-based compensation, and potential tax credits available to the Company. The actual 2025 effective tax rate may vary from the estimate depending on the actual operating income earned in various jurisdictions, the potential availability of tax credits, the vesting of share-based awards, and the amount of any permanent book to tax differences.

Segment Discussion

Specialty Health Care

Specialty Health Care revenue of \$30.0 million for the thirteen weeks ended September 27, 2025, increased 13.0%, or \$3.4 million, compared to the comparable prior-year period. The increase in revenue was driven by the Company's school clients, offset by a decrease in revenue from the Company's non-school clients. Revenue from school clients for the thirteen weeks ended September 27, 2025, was \$24.4 million as compared to \$20.2 million for the comparable prior-year period. The increase to revenue from school contracts was driven by both existing and new clients. Revenue from non-school clients for the thirteen weeks ended September 27, 2025, was \$5.6 million as compared to \$6.4 million for the comparable prior-year period. The decrease in non-school revenue was primarily driven by the reduction in revenue of \$0.7 million from a lost contract with a corrections facility and from a large long-term care group where the Company deliberately reduced services, which generated \$0.4 million in the current period as compared to \$0.7 million in the comparable prior-year period, offset by miscellaneous increases to other non-school clients. Gross profit increased by 8.5%, or \$0.7 million, to \$9.0 million for the thirteen weeks ended September 27, 2025 as compared to \$8.3 million in the comparable prior-year period. Gross profit increased due to an increase in revenue, offset by a decrease in gross profit margin. Gross profit margin for the thirteen weeks ended September 27, 2025, decreased to 30.0% compared to 31.2% for the comparable prior-year period. The decrease in gross profit margin was primarily attributed to normal quarterly fluctuations. Specialty Health Care experienced operating income of \$2.7 million for the thirteen weeks ended September 27, 2025, as compared to \$3.2 million for the comparable prior-year period. The primary reason for the decrease in operating income was an increase in SGA expense to \$6.2 million for the thirteen weeks ended September 27, 2025 compared to \$4.9 million for the comparable prior-year period, offset by the increase to gross profit. SGA expense increased primarily due to sales and recruiting infrastructure investments to support revenue growth and new school contracts for the new academic school year starting August and September.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirteen Weeks Ended September 27, 2025 Compared to Thirteen Weeks Ended September 28, 2024 (Continued)

Segment Discussion (Continued)

Engineering

Engineering revenue of \$31.4 million for the thirteen weeks ended September 27, 2025, increased 30.0%, or \$7.3 million, compared to the comparable prior-year period. The increase in revenue included increases in Energy Services revenue of \$5.0 million and Aerospace revenue of \$3.1 million, offset by a decrease in Industrial Processing revenue of \$0.8 million. Energy Services revenue increased primarily because of increased activity from EPC (Engineering, Procurement and Construction Management) projects. Aerospace revenue increased primarily due to expansion with new clients. The Company believes the decrease in Industrial Processing revenue was mainly due to normal fluctuations. Gross profit increased by 17.3%, or \$1.0 million, compared to the comparable prior-year period. Gross profit increased due to the increase in revenue, offset by a decline in the gross profit margin. The gross profit margin of 22.0% for the current period decreased from 24.4% for the comparable prior-year period. The decrease in gross profit margin was primarily due to a change in mix associated with EPC project revenue from the Energy Services group and the increase in lower-margin Aerospace revenue. The Engineering segment experienced operating income of \$3.8 million as compared to \$2.9 million for the comparable prior year period. The increase in operating income was due to an increase in gross profit, offset by a marginal increase in SGA expense. The Engineering segment's SGA expense of was approximately \$2.9 million for both periods presented.

Life Sciences, Data and Solutions

Life Sciences, Data and Solutions revenue of \$8.9 million for the thirteen weeks ended September 27, 2025, decreased 8.0%, or \$0.8 million, compared to the comparable prior-year period. The Company primarily attributes the decrease in revenue to the timing of large projects and a deemphasis of the Company's legacy staffing business. Gross profit of \$3.5 million for the thirteen weeks ended September 27, 2025, decreased 4.2%, or \$0.2 million, compared to \$3.7 million for the comparable prior-year period. Gross profit decreased due to the decrease in revenue, offset by an increase to gross profit margin. Gross profit margin for the thirteen weeks ended September 27, 2025, was 39.6% as compared to 38.0% for the comparable prior-year period. The Company attributes the gross profit margin increase to an emphasis on high-margin project work. The Life Sciences, Data and Solutions segment experienced operating income of \$2.0 million for the thirteen weeks ended September 27, 2025 compared to \$1.9 million for the comparable prior-year period. The increase in operating income was due to a decrease in SGA expense of \$0.2 million, offset by the decrease in gross profit. The Life Sciences, Data and Solutions segment's SGA expense of \$1.4 million decreased from \$1.6 million, primarily due to a deliberate effort to gain efficiency on SGA expense.

Corporate

The Company's corporate SGA expense includes but is not limited to the following costs: public company related, executive compensation, board compensation, directors and officers insurance, SAP ERP infrastructure, numerous centralized functions including accounting and financial management, information technology and cyber security infrastructure, payroll, billing, accounts receivables, and marketing. The corporate segment team primarily operates out of the United States, with limited operations in Serbia and the Philippines. Corporate SGA expense was \$4.4 million for the thirteen weeks ended September 27, 2025 as compared to \$3.6 million for the comparable prior year period. The increase was primarily caused by increases of \$0.8 million for medical costs, \$0.2 million for executive equity compensation, and other general inflationary pressures, offset by other miscellaneous decreases.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirty-Nine Weeks Ended September 27, 2025 Compared to Thirty-Nine Weeks Ended September 28, 2024

A summary of operating results for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 is as follows (in thousands):

	September 27, 2025		September 28, 2024	
	Amount	% of Revenue	Amount	% of Revenue
Revenue	\$232,928	100.0	\$201,468	100.0
Cost of services	169,263	72.7	143,259	71.1
Gross profit	63,665	27.3	58,209	28.9
Selling, general and administrative	45,179	19.4	40,762	20.3
Depreciation and amortization of property and equipment	1,364	0.6	1,012	0.5
Amortization of acquired intangible assets	-	-	136	0.1
Potential stock issuance and financing transactions	-	-	259	0.1
Operating costs and expenses	46,543	20.0	42,169	21.0
Operating income	17,122	7.3	16,040	8.0
Other expense, net	2,241	0.9	1,619	0.8
Income before income taxes	14,881	6.4	14,421	7.2
Income tax expense	4,651	2.0	3,961	2.0
Net income	\$10,230	4.4	\$10,460	5.2

The Company follows a 52/53 week fiscal reporting calendar ending on the Saturday closest to December 31. The fiscal periods ended September 27, 2025 and September 28, 2024 consisted of thirty-nine weeks each.

Revenue. Revenue increased by \$31.4 million for the thirty-nine weeks ended September 27, 2025 as compared to the thirty-nine weeks ended September 28, 2024 (the “comparable prior-year period”). Revenue increased \$14.4 million in the Specialty Health Care segment, increased \$19.9 million in the Engineering segment and decreased \$2.9 million in the Life Sciences, Data and Solutions segment. See more detailed disclosure by segment in our Segment Discussion.

Cost of Services and Gross Profit. Cost of services increased by \$26.0 million for the thirty-nine weeks ended September 27, 2025 as compared to the comparable prior-year period, primarily due to the increase in revenue. Cost of services as a percentage of revenue for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 was 72.7% and 71.1%, respectively. See Segment Discussion for further information regarding changes in cost of services and gross profit.

Selling, General and Administrative. Selling, general and administrative (“SGA”) expenses were \$45.2 million for the thirty-nine weeks ended September 27, 2025 as compared to \$40.8 million for the comparable prior-year period. As a percentage of revenue, SGA expenses were 19.4% for the thirty-nine weeks ended September 27, 2025 and 20.3% for the comparable prior-year period. See Segment Discussion for further information on SGA expense changes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirty-Nine Weeks Ended September 27, 2025 Compared to Thirty-Nine Weeks Ended September 28, 2024 (Continued)

Potential Stock Issuance and Financing Transactions. In the thirty-nine weeks ended September 28, 2024, the Company filed a Registration Statement on Form S-3 (the Registration Statement) with the Securities and Exchange Commission for an offering of up to \$100.0 million of various securities. The Company also entered an At Market Issuance Sales Agreement under which the Company may sell, under the Registration Statement, up to \$50.0 million worth of shares of the Company's common stock. The Company incurred total expenses of \$259 related to these transactions.

Other Expense, Net. Other expense, net consists of interest expense, unused line fees and amortized loan costs on the Company's line of credit, net of interest income and gains and losses on foreign currency transactions. Other expense, net increased by \$0.6 million as compared to the comparable prior year period due to an increase in interest expense, net of \$0.3 million and an increase to losses on foreign currency transactions of \$0.3 million. Interest expense increased due to increased borrowing.

Income Tax Expense. The Company recognized \$4.7 million of income tax expense for the thirty-nine weeks ended September 27, 2025 as compared to \$4.0 million for the comparable prior-year period. The consolidated effective income tax rate for the current period was 31.3% as compared to 27.5% for the comparable prior-year period. The effective income tax rates for the thirty-nine weeks ended September 27, 2025, were approximately 32.1%, 26.2%, 68.1%, and 24.4% in the United States, Canada, Europe, and the Philippines, respectively. The relative income or loss generated in each jurisdiction can materially impact the overall effective income tax rate of the Company, particularly the ratio of Canadian and European pretax income versus U.S. pretax income. The effective income tax rate can also be impacted by discrete permanent differences affecting any period presented. The comparable prior-year period estimated income tax rates were 28.3%, 26.2%, and 13.1% in the United States, Canada, and Europe, respectively. The primary reason for the increase in the consolidated and United States effective rates in the current period is due to increases to permanent tax differences in the United States. The high effective tax rate in Europe during the current period is due to low pretax income and certain fixed taxes.

Differences between the effective tax rate and the applicable U.S. federal statutory rate may arise, primarily from the effect of state and local income taxes, share-based compensation, and potential tax credits available to the Company. The actual 2025 effective tax rate may vary from the estimate depending on the actual operating income earned in various jurisdictions, the potential availability of tax credits, the vesting of share-based awards, and the amount of any permanent book to tax differences.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirty-Nine Weeks Ended September 27, 2025 Compared to Thirty-Nine Weeks Ended September 28, 2024 (Continued)

Segment Discussion

Specialty Health Care

Specialty Health Care revenue of \$116.1 million for the thirty-nine weeks ended September 27, 2025, increased 14.2%, or \$14.4 million, compared to the comparable prior-year period. The increase in revenue was driven by the Company's school clients, offset by a decrease in revenue from the Company's non-school clients. Revenue from school clients for the thirty-nine weeks ended September 27, 2025, was \$98.9 million as compared to \$82.9 million for the comparable prior-year period. The increase to revenue from school contracts was driven by both existing and new clients. Revenue from non-school clients for the thirty-nine weeks ended September 27, 2025, was \$17.2 million as compared to \$18.8 million for the comparable prior-year period. The decrease in non-school revenue was primarily driven by the reduction in revenue of \$0.7 million from a lost contract with a corrections facility and from a large long-term care group where the Company deliberately reduced services, which generated \$1.4 million in the current period as compared to \$2.7 million in the comparable prior-year period, offset by miscellaneous increases to other non-school clients. Gross profit increased by 11.6%, or \$3.5 million, to \$33.4 million for the thirty-nine weeks ended September 27, 2025 as compared to \$30.0 million in the comparable prior-year period. Gross profit increased due to an increase in revenue, offset by a decrease in gross profit margin. Gross profit margin for the thirty-nine weeks ended September 27, 2025, decreased to 28.8% compared to 29.5% for the comparable prior-year period. The decrease in gross profit margin was primarily attributed to normal quarterly fluctuations. Specialty Health Care experienced operating income of \$15.0 million for the thirty-nine weeks ended September 27, 2025, as compared to \$14.0 million for the comparable prior-year period. The primary reason for the increase in operating income was the increase to gross profit, offset by an increase in SGA expense to \$18.2 million for the thirty-nine weeks ended September 27, 2025 compared to \$15.7 million for the comparable prior-year period. SGA expense increased primarily due to sales and recruiting infrastructure investments to support revenue growth.

Engineering

Engineering revenue of \$90.1 million for the thirty-nine weeks ended September 27, 2025, increased 28.4%, or \$19.9 million, compared to the comparable prior-year period. The increase in revenue included increases in Energy Services revenue of \$8.4 million, Aerospace revenue of \$11.5 million, with Industrial Processing revenue essentially unchanged. Energy Services revenue increased primarily because of increased activity from EPC projects. Aerospace revenue increased primarily due to expansion with new clients. Gross profit increased by 12.8%, or \$2.2 million, compared to the comparable prior-year period. Gross profit increased due to the increase in revenue, offset by a decline in the gross profit margin. The gross profit margin of 21.7% for the current period decreased from 24.7% for the comparable prior-year period. The decrease in gross profit margin was primarily due to a change in mix associated with EPC project revenue from the Energy Services group and Aerospace revenue. The Engineering segment experienced operating income of \$9.9 million as compared to \$8.2 million for the comparable prior year period. Operating income increased due to the increase in gross profit, offset by an increase in SGA expense. The Engineering segment's SGA expense of \$9.1 million increased from \$8.7 million, primarily due to expense associated with efforts to grow revenue and gross profit.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Thirty-Nine Weeks Ended September 27, 2025 Compared to Thirty-Nine Weeks Ended September 28, 2024 (Continued)

Segment Discussion (Continued)

Life Sciences, Data and Solutions

Life Sciences, Data and Solutions revenue of \$26.7 million for the thirty-nine weeks ended September 27, 2025, decreased 9.7%, or \$2.9 million, compared to the comparable prior-year period. The Company primarily attributes the decrease in revenue to the timing of large projects and a deemphasis on the Company's legacy staffing business. Gross profit of \$10.6 million for the thirty-nine weeks ended September 27, 2025, decreased 2.2%, or \$0.2 million, compared to \$10.8 million for the comparable prior-year period. Gross profit decreased due to the decrease in revenue, offset by an increase in gross margin. Gross profit margin for the thirty-nine weeks ended September 27, 2025, was 39.7% as compared to 36.6% for the comparable prior-year period. The Company attributes the gross profit margin increase to an emphasis on high-margin project work. The Life Sciences, Data and Solutions segment experienced operating income of \$6.2 million for the thirty-nine weeks ended September 27, 2025 compared to \$5.2 million for the comparable prior-year period. The increase in operating income was primarily due a decrease in SGA expense to \$4.3 million for the thirty-nine weeks ended September 27, 2025 as compared to \$5.4 million in the comparable prior year period, offset by the decrease in gross profit.

Corporate

The Company's corporate SGA expense includes but is not limited to the following costs: public company related, executive compensation, board compensation, directors and officers insurance, SAP ERP infrastructure, numerous centralized functions including accounting and financial management, information technology and cyber security infrastructure, payroll, billing, accounts receivables, and marketing. The corporate segment team primarily operates out of the United States, with limited operations in Serbia and the Philippines. Corporate SGA expense was \$13.5 million for the thirty-nine weeks ended September 27, 2025 as compared to \$11.0 million for the comparable prior year period. The increase was primarily caused by increases of \$1.1 million for increased medical costs, \$0.7 million for executive equity compensation, \$0.4 million for software technology, and other general inflationary pressures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Supplemental Operating Results on a Non-GAAP Basis

The following non-GAAP measures, which adjust for the categories of expenses described below, are non-GAAP financial measures. Our management believes that these non-GAAP financial measures ("Adjusted operating income", "EBITDA", "Adjusted EBITDA", "Adjusted net income", and "Adjusted diluted net earnings per share") are useful information for investors, shareholders and other stakeholders of our company in gauging our results of operations on an ongoing basis and to enhance investors' overall understanding of our current financial performance and period-to-period comparisons. We believe these non-GAAP financial measures are performance measures and not liquidity measures. These non-GAAP financial measures should not be considered as an alternative to net income or operating income as indicators of performance. In addition, neither EBITDA nor Adjusted EBITDA takes into account changes in certain assets and liabilities as well as interest and income taxes that can affect cash flows. We do not intend the presentation of these non-GAAP measures to be considered in isolation or as a substitute for results prepared in accordance with GAAP. These non-GAAP measures should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

The following unaudited tables present the Company's GAAP net income and GAAP operating income and the corresponding adjustments used to calculate Adjusted operating income, EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted diluted net earnings per share for the thirteen and thirty-nine weeks ended September 27, 2025 and September 28, 2024.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP operating income	\$3,938	\$4,385	\$17,122	\$16,040
Adjustments				
Potential stock issuance and financing transactions	-	-	-	259
Equity compensation	1,033	767	2,939	2,154
Adjusted operating income (non-GAAP)	\$4,971	\$5,152	\$20,061	\$18,453
GAAP net income	\$2,259	\$2,746	\$10,230	\$10,460
Income tax expense	1,065	1,020	4,651	3,961
Interest expense, net	584	492	1,885	1,551
Depreciation of property and equipment	539	393	1,364	1,012
Amortization of acquired intangible assets	-	45	-	136
EBITDA (non-GAAP)	\$4,447	\$4,696	\$18,130	\$17,120
Adjustments				
Potential stock issuance and financing transactions	-	-	-	259
Loss on foreign currency transactions	30	127	356	68
Equity compensation	1,033	767	2,939	2,154
Adjusted EBITDA (non-GAAP)	\$5,510	\$5,590	\$21,425	\$19,601

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Supplemental Operating Results on a Non-GAAP Basis (Continued)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
GAAP net income	\$2,259	\$2,746	\$10,230	\$10,460
Adjustments				
Potential stock issuance and financing transactions	-	-	-	259
Loss on foreign currency transactions	30	127	356	68
Equity compensation	1,033	767	2,939	2,154
Tax impact from normalized rate	(119)	(238)	(257)	(603)
Adjusted net income (non-GAAP)	\$3,203	\$3,402	\$13,268	\$12,338
GAAP diluted net earnings per share	\$0.30	\$0.35	\$1.34	\$1.31
Adjustments				
Potential stock issuance and financing transactions	-	-	-	\$0.03
Loss on foreign currency transactions	\$0.01	\$0.01	\$0.05	\$0.01
Equity compensation	\$0.13	\$0.09	\$0.38	\$0.27
Tax impact from normalized rate	(\$0.02)	(\$0.03)	(\$0.04)	(\$0.08)
Adjusted diluted net earnings per share (non-GAAP)	\$0.42	\$0.42	\$1.73	\$1.54

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources

The following table summarizes the major captions from the Company's Condensed Consolidated Statements of Cash Flows (in thousands):

	Thirty-Nine Weeks Ended	
	September 27, 2025	September 28, 2024
Cash provided by (used in):		
Operating activities	\$7,520	\$7,807
Investing activities	(\$1,398)	(\$1,589)
Financing activities	(\$9,471)	(\$9,135)

Operating Activities

Operating activities provided \$7.5 million of cash for the thirty-nine weeks ended September 27, 2025 as compared to providing \$7.8 million in the comparable prior-year period. The major components of cash provided by operating activities in the thirty-nine weeks ended September 27, 2025 and the comparable prior-year period are as follows: net income, and changes in accounts receivable, the net of transit accounts payable and transit accounts receivable, contract assets, prepaid expenses and other current assets, accounts payable, accrued expenses and accrued payroll and related costs, and deferred revenue.

For the thirty-nine weeks ended September 27, 2025, the Company experienced net income of \$10.2 million compared to \$10.5 million for the comparable prior-year period. An increase in accounts receivables and contract assets in the thirty-nine weeks ended September 27, 2025, used \$5.2 million of cash, after also using also \$5.2 million in the comparable prior-year period. Accounts receivables for the thirty-nine weeks ended September 27, 2025, experienced normal fluctuations in the Company's EPC projects and procedural delays in payment from two of the Company's school clients in its Healthcare segment.

While highly variable, the Company's transit accounts payable typically exceeds the Company's transit accounts receivable, but absolute amounts and differences fluctuate significantly from quarter to quarter in the normal course of business. The net of transit accounts payable and transit accounts receivable was a net payable of \$7.2 million as of September 27, 2025 and a net payable of \$16.5 million as of December 28, 2024, using \$9.3 million of cash during the thirty-nine weeks ended September 27, 2025. The net of transit accounts payable and transit accounts receivable was a net payable of \$21.9 million as of September 28, 2024 and a net payable of \$22.2 million as of December 30, 2023, using \$0.3 million of cash during the thirty-nine weeks ended September 28, 2024. The decrease to net transit payable as of September 27, 2025 was due to normal fluctuations associated with several large, multiyear EPC projects. In a typical EPC contract, the Company receives significant cash upfront to fund equipment procurement and construction subcontractors throughout the project.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources (Continued)

Operating Activities (Continued)

Prepaid expenses and other current assets provided cash of \$2.9 million for the thirty-nine weeks ended September 27, 2025 as compared to using \$0.5 million of cash for the comparable prior-year period. The Company typically attributes changes to prepaid expenses and other current assets, if any, to general timing of payments in the normal course of business. Since certain expenses are paid before a fiscal year concludes and are amortized over the next fiscal year, prepaid expenses and other current assets generally tend to increase at the end of a fiscal year and decrease during the first three quarters of the following fiscal year.

A decrease in accounts payable and accrued expenses used cash of \$0.1 million for the thirty-nine weeks ended September 27, 2025 as compared to using \$0.8 million for the comparable prior-year period. The Company attributes these changes to typical fluctuations in the normal course of business.

Changes in accrued payroll and related costs provided \$2.9 million for the thirty-nine weeks ended September 27, 2025 as compared to providing \$0.4 million for the comparable prior-year period. There are four primary factors that generally impact accrued payroll and related costs: 1) there is a general correlation to operating expenses as payroll and related costs is the Company's largest expense group, so as operating costs increase or decrease, absent all other factors, so will the accrued payroll and related costs; 2) the Company pays the majority of its payroll every two weeks and normally has thirteen weeks in a fiscal quarter, which means that the Company normally has a major payroll on the last business day of every other quarter; 3) the timing of various payroll related payments varies in the normal course of business; and 4) most of the Company's senior management participate in annual incentive plans and while progress advances are sometimes made during the fiscal year, these accrued bonus balances, to the extent they are projected to be achieved, generally accumulate throughout the year. A significant portion of these incentive plan accruals are typically paid at the beginning of one fiscal year, pertaining to the prior fiscal year. The Company's last major payroll for the thirty-nine weeks ended September 27, 2025 was paid on September 19, 2025.

The Company's deferred revenue balance as of September 27, 2025 was \$6.2 million, compared to \$4.1 million as of December 28, 2024, providing cash from operations of \$2.1 million for the thirty-nine weeks ended September 27, 2025. The increase was associated with upfront payments for future labor associated with the Company's EPC contracts.

Investing Activities

Investing activities used \$1.4 million for the purchase of property and equipment in the current period as compared to using \$1.6 million in the comparable prior-year period. The primary reason for the decrease was the nearly completed implementation of the Company's new ERP software system.

Financing Activities

Financing activities used \$9.5 million of cash for the thirty-nine weeks ended September 27, 2025, compared to using \$9.1 million in the comparable prior-year period. The Company made net payments under its line of credit of \$3.4 million during the thirty-nine weeks ended September 27, 2025 as compared to making net payments of \$0.3 million in the comparable prior-year period. The Company used \$5.1 million to purchase shares of its common stock during the thirty-nine weeks ended September 27, 2025 as compared to using \$7.8 million during the thirty-nine week period ended September 28, 2024. During the thirty-nine weeks ended September 27, 2025, the Company used \$0.9 million to retire shares of vested equity grants, the proceeds of which were used to pay withholding taxes upon the vesting of equity grants, as compared to using \$1.3 million in the comparable prior year period. The Company generated cash of \$0.6 million from sales of shares from its equity plans for the current period and \$0.7 million for the comparable prior-year period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources (Continued)

Financing Activities (Continued)

Borrowings under the Revolving Credit Facility bear interest at one of two alternative rates, as selected by the Company at each incremental borrowing. These alternatives are: (i) SOFR (Secured Overnight Financing Rate), plus applicable margin or (ii) the agent bank's prime rate generally borrowed over shorter durations. The Company also pays unused line fees based on the amount of the Revolving Credit Facility that is not drawn. Unused line fees are recorded as interest expense. The effective weighted average interest rate, including unused line fees, for the thirty-nine weeks ended September 27, 2025 and September 28, 2024 were 6.2% and 6.8%, respectively.

All borrowings under the Fifth Amended and Restated Loan Agreement remain collateralized with substantially all of the Company's assets, as well as the capital stock of its subsidiaries. The Revolving Credit Facility also contains various financial and non-financial covenants, such as a covenant that restricts the Company's ability to borrow in order to pay dividends. As of September 27, 2025, the Company was in compliance with all covenants contained in the Revolving Credit Facility. The Company believes that it will maintain compliance with its financial covenants for the foreseeable future.

Borrowings under the line of credit as of September 27, 2025 and December 28, 2024 were \$31.5 million and \$35.0 million, respectively. There were letters of credit outstanding at September 27, 2025 and December 28, 2024 for \$13.1 million and \$7.4 million, respectively. At September 27, 2025 and December 28, 2024, the Company had availability for additional borrowings under the Revolving Credit Facility of \$20.4 million and \$22.6 million, respectively.

In addition to borrowings and sales of shares from its equity plans, the Company may raise capital through sales of shares of common stock under its at the market issuance program (the "ATM Program") established under its March 2024 At Market Issuance Sales Agreement with B. Riley Securities, Inc., as the agent (the "Agent"). The ATM Program allows the Company to offer and sell shares of the common stock having an aggregate sales price of up to \$50.0 million from time to time through the Agent. To date, the Company has not sold any shares under the ATM Program.

Current Liquidity and Revolving Credit Facility

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, and meet the other general cash needs of our business. Our liquidity is impacted by general economic, financial, competitive, and other factors beyond our control. Our liquidity requirements consist primarily of funds necessary to pay our expenses, principally labor costs, and other related expenditures. We generally satisfy our liquidity needs through cash provided by operations and, when necessary, our revolving line of credit from Citizens Bank. The Company believes it has a great deal of flexibility to reduce its costs if it becomes necessary. The Company believes that it can satisfy its liquidity needs for at least the next twelve months.

The Company's liquidity and capital resources as of September 27, 2025, included accounts receivable and contract assets and total current asset balances of \$83.2 million and \$94.9 million, respectively. Current liabilities were \$48.0 million as of September 27, 2025 and were exceeded by total current assets by \$46.9 million.

The Company experiences volatility in its daily cash flow and, at times, relies on the revolving line of credit to provide daily liquidity for the Company's financial operations. As of September 27, 2025, the Company was in compliance with all financial covenants contained in the Revolving Credit Facility. The Company believes that it will maintain compliance with its financial covenants for the foreseeable future.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Commitments and Contingencies

The Company anticipates that its primary uses of capital in future periods will be for working capital purposes. Funding for any long-term and short-term capital requirements as well as future acquisitions will be derived from one or more of the Revolving Credit Facility (or a replacement thereof), funds generated through operations or future financing transactions. The Company is subject to legal proceedings and claims that arise from time to time in the ordinary course of its business, which may or may not be covered by insurance. Were an unfavorable final outcome to occur, there exists the possibility of a material adverse impact on our financial position, liquidity, and the results of operations.

The Company's business strategy is to achieve growth both internally through operations and externally through strategic acquisitions. The Company from time to time engages in discussions with potential acquisition candidates. The Company has acquired numerous companies throughout its history and those acquisitions have generally included significant future contingent consideration. As the size of the Company and its financial resources increase however, acquisition opportunities requiring significant commitments of capital may arise. In order to pursue such opportunities, the Company may be required to incur debt or issue potentially dilutive securities in the future. No assurance can be given as to the Company's future acquisition and expansion opportunities or how such opportunities will be financed.

The Company is exposed to various asserted claims as of September 27, 2025, where the Company believes it has a probability of loss. Additionally, the Company is exposed to other asserted claims whereby an amount of loss has not been declared, and the Company cannot determine the potential loss. Any of these various claims could result in an unfavorable outcome or settlement that exceeds the accrued amounts. However, the Company believes that such matters will not, either individually or in the aggregate, have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. As of September 27, 2025, the Company had accrued \$0.4 million for asserted claims.

The Company is also subject to other pending legal proceedings and claims that arise from time to time in the ordinary course of its business, which may not be covered by insurance.

The Company utilizes SAP software for its financial reporting and accounting system which was initially implemented in 1999 and was upgraded during fiscal years 2023 and 2024. The Company went live with its new SAP system in April 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Liquidity and Capital Resources (Continued)

Commitments and Contingencies (Continued)

The Company's current commitments consist primarily of lease obligations for office space. The Company believes that its capital resources are sufficient to meet its present obligations and those to be incurred in the normal course of business for at least the next 12 months.

The Company leases office facilities and various equipment under non-cancelable leases expiring at various dates through August 2030. Certain leases are subject to escalation clauses based upon changes in various factors.

Maturities of lease liabilities are as follows:

Fiscal Year	Operating Leases	Finance Leases
2025 (After September 27, 2025)	\$356	\$250
2026	1,328	886
2027	1,135	387
2028	1,012	-
2029	665	-
Thereafter	1,168	-
Total lease payments	\$5,664	\$1,523
Less: imputed interest	(747)	(68)
Total	\$4,917	\$1,455

Future Contingent Payments

As of September 27, 2025, the Company had one acquisition agreement whereby additional contingent consideration may be earned by the sellers: effective September 30, 2018, the Company acquired certain assets of Thermal Kinetics Engineering, PLLC and Thermal Kinetics Systems, LLC. The Company estimates future contingent payments at September 27, 2025 as follows:

	Total
Payable in fiscal 2025	\$212
Thereafter	\$0

Estimates of future contingent payments are subject to significant judgment and actual payments may materially differ from estimates. The Company estimates future contingent consideration payments based on forecasted performance and recorded the fair value of those expected payments as of September 27, 2025. Contingent consideration related to acquisitions is recorded at fair value (level 3) with changes in fair value recorded in other (expense) income, net.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio and debt instruments, which primarily consist of the Revolving Credit Facility. The Company does not have any derivative financial instruments in its portfolio. The Company places its investments in instruments that meet high credit quality standards. The Company is adverse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk and reinvestment risk. As of September 27, 2025, the Company's investments consisted of cash and money market funds. The Company does not use interest rate derivative instruments to manage its exposure to interest rate changes. Based on the Company's variable-rate line of credit balances during the thirty-nine weeks ended September 27, 2025, if the interest rate on the Company's variable-rate line of credit (using an incremental borrowing rate) during the period had been 1.0% higher, the Company's interest expense on an annualized basis would have increased by \$0.3 million. The Company does not expect any material loss with respect to its investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of September 27, 2025, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes during the fiscal quarter ended September 27, 2025, in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See discussion of Contingencies in Note 15 to the Condensed Consolidated Financial Statements included in Item 1 of this report.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company's business, see the risk factors discussed under Part I, Item 1A, Risk Factors, of the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2024.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None of the Company's directors and officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 27, 2025.

ITEM 6. EXHIBITS

31.1*	Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Principal Executive Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
32.2**	Certification of Principal Financial Officer Required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
101.INS*	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Documents
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

RCM TECHNOLOGIES, INC.

SIGNATURES

Pursuant to the requirements 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.

RCM Technologies, Inc.

Date: November 6, 2025

By: /s/ Bradley S. Vizi

Bradley S. Vizi

Executive Chairman and President

(Principal Executive Officer and

Duly Authorized Officer of the Registrant)

Date: November 6, 2025

By: /s/ Kevin D. Miller

Kevin D. Miller

Chief Financial Officer

(Principal Financial Officer and

Duly Authorized Officer of the Registrant)