

RCM Technologies, Inc.

Third Quarter 2025 Earnings Call

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C O R P O R A T E P A R T I C I P A N T S

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Bradley Vizi, *Executive Chairman and President*

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Bill Sutherland, *The Benchmark Company*

William Duberstein, *Stone Oak Capital*

Liam Burke, *B. Riley Securities*

P R E S E N T A T I O N

Kevin Miller

Good morning, and thank you for joining us. This is Kevin Miller, Chief Financial Officer of RCM Technologies. I am joined today by Brad Vizi, RCM's Executive Chairman.

Our presentation and this call will contain forward-looking statements. The information contained in the forward-looking statements is based on our beliefs, estimates, assumptions and information currently available to us, and these matters may materially change in the future. Many of these beliefs, estimates and assumptions are subject to rapid changes. For more information on our forward-looking statements and the risks, uncertainties and other factors to which they are subject, please see the periodic reports on Forms 10-K, 10-Q and 8-K that we file with the SEC as well as our press releases that we issue from time to time.

I will now turn the call over to Brad Vizi, Executive Chairman, to provide an overview of RCM's operating performance during the quarter.

Bradley Vizi

Thanks, Kevin. Good morning everyone. As we exit our seasonal third quarter, we are entering Q4 from a position of strength, demonstrating record 2026 engineering backlog as of the end of October and continued momentum in healthcare.

Penetration of existing clients continues to increase, while commercial discussions start to crystallize with future flagship clients. I attribute increased traction to growing brand awareness in our end markets, fortified by our employees' commitment to quality and reliable delivery.

Also of note, as our visibility increases, so is the strength of our talent pool. We have seen a noticeable change in the number of highly qualified candidates reaching out to RCM, providing further fuel for the flywheel. We will continue to invest behind the business, while many of our peers remain on their heels. Despite excess medical costs to the tune of approximately \$1.8 million year-to-date, with Q3 hit particularly hard, our financial results remain resilient. Kevin will provide more granularity into our financial performance later in the call, giving further visibility into our fundamental strength led by healthcare and engineering.

I will now provide an update on the progress of each of our business units, starting with Healthcare.

We entered the 2025, 2026 school year with momentum, seeing strong growth across our portfolio, driven by our commitment to quality, innovation and client satisfaction. Our roster of new school partners is expanding, and we are equally encouraged by the commitments from our existing clients to broaden our role in staffing their schools. Though competition in certain markets has increased, it simply has not mattered. Our share in these same markets increased regardless, a testament to the commitment of our team and the trust we have built as a preferred provider in the K-12 end market.

To put it differently, doubling down on caring is good for business.

Despite tracking to close 2025 with our strongest financial performance outside of COVID, we already have an eye toward 2026 as we anticipate seeing the benefits of a record foreign recruitment pipeline that we have invested heavily in the last several years. The future of RCM Healthcare remains bright.

Now I will transition to Life Sciences Data and Solutions.

In Life Sciences, the industry is seeing a significant shift as it deals with a variety of changes due to tariffs, favored nation drug pricing and process automation. Each have caused momentum shifts with many of our clients from the negative of workforce reductions to the positive of capital investment in manufacturing. Structural industry shifts often present opportunity for RCM. We are capitalizing by partnering with an AI-driven computer software validation and equipment qualification company that has allowed us to streamline compliance protocols and reduce turnaround times across manufacturing sites. The creation of a dedicated life sciences engineering group will further differentiate RCM in the market.

As it pertains to data and solutions, meaningful progress has been made in AI and analytics, particularly as applied to life sciences. These efforts continue to unlock actionable insights from predictive forecasting to real-time monitoring. The updates reflect how technology is being leveraged not just to optimize operation, but to fuel innovation at the core of the business.

As we move into Q4, we feel that our efforts are positioning us for growth. Life sciences will benefit from ongoing digital transformation, further integration of AI-driven compliance and scaling of the new engineering group. These efforts are expected to drive efficiency and enhance our value proposition to pharma partners.

Data and Solutions will continue to expand our managed service offering. We are building the use of AI analytics into our process with a focus on generating deeper insights and supporting innovation across the enterprise. The emphasis will be on predictive capabilities and real-time data to support operational excellence and strategic decision-making. HCM will see growth beyond our foundational managed service efforts in building our direct and BPO business as our pipeline continues to mature.

Transitioning to engineering, starting with Energy Services, Energy Services delivered another strong quarter in Q3 in addition to securing record backlog for 2026, reinforcing RCM's leadership in modern grid infrastructure and advanced energy solutions.

Our integrated Engineering and EPC model continues to gain momentum as utilities and data center developers seek partners with the technical depth, safety, culture and scalability to execute complex multidisciplinary projects and tangible client outcomes.

We advanced major programs in substation modernization and energy resilient infrastructure with significant contributions from our civil, structural, mechanical and protection and control teams. We have made great strides growing within our core utility client base, each project reinforcing our reputation for technical precision and execution reliability, solidifying our position as engineer of choice and Tier 1 preferred partner.

The business continues to outpace expectations, reflecting the strength of our integrated strategy and increasing market demand. Our engineering teams are designing and executing major programs across North America and internationally, while deepening strategic partnerships with OEMs to strengthen procurement, agility and mitigate equipment lead time constraints.

In a market challenged by labor availability and resource bottlenecks, RCM leverages our hybrid resourcing model, combining domestic expertise with global engineering design excellence centers, best-in-class digitalization and 3D BIM to ensure continuity, scalability and cost-effective execution. This flexible approach enables the company to mobilize skilled manpower quickly for time-sensitive and mission-critical infrastructure projects.

RCM's combination of specialized expertise, digital innovation and operational discipline is positioning the business for sustained growth. Our teams are designing and delivering infrastructure that enhances grid reliability, integrates renewables and build resilience into the critical systems powering our communities. Our guiding philosophy remains constant, engineering excellence that sets the standard in energy infrastructure.

Aerospace and defense continues to gain momentum in existing program support and increased demand across new clients, primarily in engineering, manufacturing and supply chain areas. When compared to Q3 2024 year-to-date, revenue has grown almost 45%, gross profit by approximately 49% and EBITDA by 110%. Though the third quarter is historically slower when compared to other quarters due to increased PTO and headcount, it continued to increase through Q3 2025.

As projected, we have realized an increase in gross margin and EBITDA in Q3 2025 and subsequently quarter-over-quarter throughout the entire year. Our vertical lift and technology innovator customers doing business with the U.S. government continue to spearhead our progress thus far in 2025 with multiple opportunities on the horizon in 2026 and beyond.

As anticipated, success in our new service areas and expertise in supply chain manufacturing and quality engineering with current and new clients has impacted 2025 with a positive outlook for 2026. The awards in our aftermarket arena with two existing customers at the start of 2025 continue to contribute to our success in delivering to our aftermarket clients.

RCM Aerospace and Defense attributes our latest award as Bell Flight's Best New Supplier in 2025 to our sales and recruitment team, which continues to build trusted valued relationships throughout the client and candidate base. Our investment in new schools and technologies continues to keep our team at the forefront as the go-to, stated publicly by many of our clients, when they are having challenges with quality resources.

Credit to our operations team for helping build a client we added to the portfolio in 2024 into one of our largest clients in 2025. This is just one example of our ability to land-and-expand quickly, leveraging our core capabilities within RCM.

We anticipate growth to continue as we close 2025 and more opportunities are realized with the aerospace and defense environment vying for American companies who can hold clearances up to the secret and top secret level.

Where we sit today, we believe many of the aerospace and defense programs are in their infancy, and we look forward to setting a new baseline in 2026.

Now I will return the call to Kevin to discuss the Q3 2025 financial results in more detail.

Kevin Miller

Thanks, Brad. Regarding our consolidated results, consolidated gross profit for the third quarter of 2025 was \$19.4 million, which grew 8.8% over Q3 2024. Adjusted EBITDA for Q3 '25 was \$5.5 million as compared to \$5.6 million for Q3 '24 for a slight decline of 1.4%. Adjusted EPS was \$0.42 for both comparable quarters.

As for our segment performance in the third quarter of 2025, in Healthcare, gross profit for Q3 '25 was \$9.0 million compared to \$8.3 million for Q3 2024, growing 8.5%. Gross margin for Q3 '25 was 30.0% as compared to 31.2% for Q3 2024. School revenue for Q3 '25 was \$24.4 million compared to \$20.2 million for Q3 '24, growing 20.7%. Non-school revenue for Q3 '25 was \$5.6 million compared to \$6.4 million for Q3 '24, declining 11.3%.

Our Healthcare group experienced a slow start to Q3 due to lower summer session revenue than we normally see. However, our September gross profit for all of Healthcare grew over 20% September versus September 2025 versus 2024. Furthermore, billable hours for the first four weeks of October 2025 increased by 18% as compared to the same period in 2024. So we're off to a nice start in Q4, and we're excited to see how those results come in.

In Engineering, gross profit for Q3 '25 was \$6.9 million compared to \$5.9 million for Q3 '24, growing 17.3% and our best Engineering gross profit in quarter in our history. Gross margin for Q3 '25 was 22.0% compared to 24.4% for Q3 '24. We are very excited about where our Energy Services backlog stands. At this time, last year in 2024, our backlog for 2025 was \$21 million. Our backlog today for 2026 is just over \$70 million. While we are still growing our 2026 backlog, we are now very focused on 2027 and beyond.

In our IT, Life Sciences and Data Solutions group, gross profit for Q3 2025 was \$3.5 million compared to \$3.7 million for Q3 '24, decreasing by 4.2%. Gross margin for Q3 '25 was 39.5% compared to 38.0% for Q3 2024.

It is worth noting that our SG&A expense includes \$800,000 of costs for medical claims over budget in the third quarter alone and \$1.8 million year-to-date.

Regarding our balance sheet, frankly, we were disappointed with cash flow from operations in Q3 '25. We again experienced administrative collection issues with two of our large school clients. We are optimistic we will see good cash flow in Q4 and expect the cash flow from operations for fiscal '25 will approximate net income.

We reiterate that we expect Q4 to yield our highest quarterly gross profit and our highest Adjusted EBITDA in fiscal 2025. We believe we have strong momentum heading into 2026.

This concludes our prepared remarks. At this time, we will open the call for questions.

Operator

With that, ladies and gentlemen, you may press star, one on your telephone keypad if you would like to ask a question. That is star, one on your telephone keypad to join the question queue.

And first up, we do have Bill Sutherland of The Benchmark Company.

Bill Sutherland

Thanks. Hey guys, thanks for taking the questions. Curious about the candidates, the foreign candidates that are building in the healthcare group. Can you just kind of give us an order of magnitude and maybe timing on that on their impact?

Kevin Miller

Well, we certainly can't predict the timing, Bill. It's all dependent on visa retrogression. According to some things that we've heard, we believe the dates are going to be moved sometime in the fourth quarter. Even if they move a couple of months, we probably have 50 to 60 nurses we can bring over if they move, let's say, three or four months. That may or may not happen, right? But we have at least 300 nurses in our pipeline that have passed all exams and are ready to come over if we can get them visas, right? And we have a lot more than that in our pipeline that are in the process of passing various exams to be able to come over.

It's something that we make a pretty heavy investment in. We know a lot of our competitors have kind of scaled back in that area a little bit because of the difficulty with getting nurses into this country right now, but we believe that the pendulum will swing the other way at some point and we'll be ready for it.

Bill Sutherland

Okay. I guess there's no way to predict excess medical costs. Do you feel like this is kind of a level that we should just pencil in for 4Q?

Kevin Miller

Yes, probably because I don't expect anything radically different in Q4. We have taken some measures long term to try to reduce those costs a little bit, but that's probably not going to impact us too much until 2026, hopefully.

It's been a crazy year for medical costs. We had 3 or 4 great years in a row and then '24 and '25 was just terrible.

Bill Sutherland

You can't predict it, I know, it's...

Kevin Miller

It's hard to predict and there's obviously a lot of headwinds with what's going on with a lot of inflationary pressures and hospitals and insurance companies driving up costs. All of our insurance is up a lot in '25 versus '24. But at least you know where that is heading into the year and you can budget for it, right? But in the medical claims, you budget for it, you make your best budget and then it can get wiped out pretty quickly, unfortunately.

Bill Sutherland

Last one for me. Brad, when you were going through the engineering groups, on Industrial Process, I wasn't clear kind of how that's doing and kind of how that's booking for next year.

Bradley Vizi

Yes. Part of Industrial Process continues to motor along pretty strong. We're hiring. Demand is robust. And the second unit, it's a work in progress. Some changes are being made to strategy, personnel. The good news is it's our smallest unit, right? There's potential upside there for sure, but whether it's a pretty good year or a very mediocre year, it's unlikely to move the needle. Either way, it has our attention. I'd say out of all of our businesses, it's the one that it needs to be on a different trajectory, right now, but it is stable.

Kevin Miller

Yes, it's pretty small, as you know, Bill. But I will say this, I believe we have some pretty exciting projects in our pipeline that we're pretty bullish on, particularly along our next campaign. We just got to close them. We think that group will have a good 2026, but we don't have the backlog that we have at our two other engineering businesses. And I'm talking relative to the size. But it has good potential, and we're excited to realize some of this pipeline. So hopefully, on our next call, we'll have some good news for you around our P&I business.

Bill Sutherland

Okay, got it. Thanks again.

Operator

All right. Next up, we have William Duberstein of Stone Oak Capital.

William Duberstein

Hey, how's it going? I wanted to touch on energy services. It seems like it's growing the fastest, probably the largest growth opportunity. Everything we're reading is just pointing to increased utility growth,

independent power producer growth. There's behind-the-meter deals happening with data centers. Just wondering if you could touch on how you see the market evolving for you guys, if you're sticking with traditional utility partners, if you're seeing any new entries into the business or if you're exploring new partnerships. I think you talked about some of your digital capabilities, which if you could just elaborate on what you're seeing there, I guess, in general, that would be great.

Bradley Vizi

Yes. Our strategy in that business has been to really kind of focus and go all in on our strengths, where we can establish a point of differentiation and a reputation with really the Tier 1 clients. In other words, the largest utilities in the country. And so there are certainly a broad list of vendors out there, right? In terms of that Tier 1 list, it's relatively narrow. Those go-to players that kind of get to the final line pretty quickly and are in contention for being the preferred choice. The investments we've made in the last several years, they're starting to pay off. We're dialing that in, in terms of being able to really roll out our success and to the market broadly. We're very pleased with the direction that we're headed.

Look, that being said, we want to continue to be thoughtful. There is no shortage of activity out there. We are very cognizant about getting caught up and sticking our nose where we shouldn't be and risk management. But we are at a point where we feel like the group is—we're taking that to the next level. Inevitably, there are investments you make along the way. It's a different set of infrastructure as you go through that process, you dial in personnel, right? But I'd say there's a very positive story there going forward.

With respect to data center activity, when you look at the investment in the grid right now, right, kind of our stronghold is the utility market. So as far as direct data center activity, that's really kind of incremental to us. There is no shortage of opportunity with our core client base. So we continue to remain focused on that. And as you know, it's a very stable client base to serve, and we are protecting that and we're growing within it. And we're riding the wave in that regard. But also we see opportunities to get more involved on the data center front selectively. And I think probably the most obvious opportunity is the interconnect aspect of it because the reality is each of these major data centers you see, they require substations, right, to be built, and that's obviously directly in our wheelhouse.

So the way I would describe it to you in general, Bill, is to continue to maintain the quality and build on our reputation. And it really gets to the point where you're following your client, you're following that demand, right? So in terms even just adding one or two incremental core clients a year, it can really move the needle from our vantage point because, again, you can take any major utility, have a look at it, right? Historically, their CapEx spend might have been \$2 billion or \$3 billions, now it's at maybe \$5 billion or \$6 billion. And then some of them are \$8 billion to \$10 billion are moving up another level to, call it, \$8 billion to \$10 billion a year. The lion's share of that is going towards hardening the grid.

So, it's an exciting time for sure. But at the same time, it's also a time you don't want to get too far over your skis. So we're being thoughtful about it but suffice to say we're pretty excited about where we're headed there.

William Duberstein

That's great. And you mentioned you're attracting sort of a new level of talent or you're liking what you're seeing in terms of pulling talent—or talent coming to you, I guess, not pulling talent. Is that in this energy services area and are these people in your points of differentiation? Or are they more of an opportunity to expand, I would say, maybe horizontally or with complementary services, if that makes sense?

Bradley Vizi

Yes, that's a good question. Like, look, I mean, one of the nice things about services is to the extent that you meet, it could even be one person, but you come across a set of very talented folks that you can bolt

on, right, to your platform, the opportunity to grow within adjacencies, it's pretty clear. So the answer to your question is it's really both.

And I attribute that to is we made a very conscious effort to get behind just investing in our brand in general. I mean, starting at the most fundamental level, it would be the website, our digital presence, LinkedIn, etc. I mean, it's a night-and-day difference if you look, call it, 18, 24 months ago. One of the nice things about the times we live in right now is the ability to reach like folks in a relatively targeted manner, it's very cost effective. If you have somebody that's very talented about the techniques associated with that, I mean, the costs are relatively de minimis.

So it's really, again, some of the investments we've made over the last several years with respect to that technical foundation, really building a substantial reputation in the market, not just as an emerging player. I think it's very fair to say at this point we're firmly in that Tier 1 bucket and just making sure you're front and center with respect to that target candidate pool and that digital presence in particular.

William Duberstein

Great. That's all good stuff. Then just a couple of small housekeeping items. I guess you mentioned the summer was a little slow for healthcare. You always see the seasonality down with school, so with the slow start, which has since recovered, was that in the non-healthcare portion of the business? Or was it schools sort of taking their time ramping up to seeing what they need for the new year?

Kevin Miller

Bill, it has more to do with—so when schools go into the summer session, right, they have kids in the schools, right, obviously, at a much, much lower rate than the primary school year. Our business doesn't go to 0 in July, which all of our schools are closed and then some start to open up in early to mid-August and some closed in early May all the way through late June, right? So you see softness in June, July and August relative to the other 9 months, but the schools still use our services. But it just depends on how many of our kids are doing summer session. And it's pretty hard to predict. We see a lot of randomness in it from year-to-year.

For the level that we're at today in terms of the number of people and the number of contracts and all that, we expected to see more revenue coming from our school clients in July and August than we actually got. And I don't attribute that to anything but sort of randomness, right? Because once the school year started to kick in in mid-August and really kick in in September, we saw great results.

So the results for Q3 for Healthcare overall are a little bit lower than what we expected to see because we did expect to see some nice growth in September, which we got. We just expected revenue to be a little bit higher in July and August than it actually was. Does that make sense?

William Duberstein

Yes. Got it. There are basically fewer students than you thought in your client schools over the summer.

Kevin Miller

Fewer of our students and our schools just needed less people than we thought. It's a combination of fewer of our students that we had the previous year and maybe fewer people taking off of the summer at the schools, but it just wasn't as great as we thought it would be.

William Duberstein

Got it. That makes sense. Then one final thing, just back to the healthcare costs. are you guys self-insuring now? Just given the last two years, would you think of maybe changing strategies just given the size of the

company? I think said you're looking to maybe change something with the strategy there, so I just wasn't sure.

Kevin Miller

Yes, we're always looking to tweak our medical plans to bring those overall costs down, not only because we want lower cost for the company, but more importantly, we want lower cost for our employees. And we can attract more people when we have lower cost options available.

But to answer your question, yes, we are self-insured and I think you were asking me if we would consider going fully insured and the answer to that question is no. Because as bad as our medical costs were the last two years, they would be even higher if we went fully insured.

Because when you go fully insured is—there aren't many companies—we're not a big company, obviously, Bill, but we're plenty big enough where the decision is pretty easy, self-insured versus insured. And as you can probably imagine, when you go self-insured, insurance companies, they're building all that risk into that premium and all that profit. So it doesn't make any sense to go self-insured at our size.

If you have like maybe like 100 covered lives, then the fully insured model makes a lot of sense if you're a smaller company, right? But when you have like 800 or more, which is what we have, it's really a no-brainer to go with a self-insured plan.

Bill Sutherland

Got it. Makes sense. Thanks, guys. I think I've taken up enough time. Great results and thanks for having me on.

Operator

All right. Next up, we have Liam Burke of B. Riley Securities.

Kevin Miller

Hi Liam.

Liam Burke

Hi Kevin, how are you doing?

Kevin Miller

Good, good.

Bradley Vizi

Hi Liam.

Liam Burke

On engineering, the gross margins were well within your stated range, but down lower year-on-year. Is that just a larger contribution of engineering where you have lower gross margin, but you make it up on the SG&A line? Or was there anything else in there?

Kevin Miller

Well, like we discussed on previous calls, you're going to see a fair amount of variation to our gross margin in our engineering group. And it has to do with revenue mix and it has to do with how much of our activity is conducted by our subs in a given quarter, right? So we don't make the same gross profit margin on our subs that we do on our salaried employees.

Our Aerospace is a little bit lower gross margin than, say, Energy Services or Industrial Processing. And then Industrial Processing has had some randomness to their revenue, which impacts the gross margin as well because we have a sort of a fixed direct cost base there. There's just a bunch of factors that contribute to the randomness, which is why, at the end of the day, we focus on gross profit dollars.

Obviously, there's a correlation, and obviously, we want to maximize gross margin. But for us, it's focusing on driving and growing gross profit dollars for our engineering group.

Liam Burke

Thank you. On Specialty Healthcare, you're getting further penetration with your existing schools. You're acquiring new customers. Are there other areas you can replicate that business model? Or does it look like schools seem to be to fit your skill set here?

Kevin Miller

The answer to that question is yes, there are other areas that we can replicate that model, and that's something we spend a lot of time thinking about.

At our core, we're a school business, right? And we're really, really good at it. We think we're as good as any company, if not better, so we don't want to lose the focus that we have on schools because we're driving nice growth there. And what's great about the school business is it tends to be pretty repetitive, right? We very rarely lose clients, school clients. So we're going to continue that focus.

But there are other areas that we're looking at. And Bill Sutherland earlier asked about some of our foreign nurses that are coming over. When they eventually get here, most of them are not going to go to schools; they're going to go to hospitals. Some will go to the schools, but a lot will go to hospitals because there's such a screaming need for them. And that's an area where we have a little bit of advantage over the competition because we've been recruiting overseas for 25 years. I mean, we're experts at it, right? And we have a great reputation, and we have a great following in some of these countries that we recruit in.

So to answer your question, we're always going to be focused on schools. We are looking at adjacencies. One of the things we've been kicking around—and this is just in a discussion level is possibly supplying substitute teachers to schools. Even though that's not healthcare, but it's obviously not that big of a leap and the model isn't that different. We look at things like substitute teaching. We have a significant presence in the Philippines right now, and that's largely driven by our Healthcare group, although our other groups are in the Philippines as well. We are looking at doing some potential outsourcing in the Philippines for clients in the U.S. for healthcare positions and other positions.

We're always looking for other avenues of growth. When one of them becomes meaningful, we will certainly let you know about it.

Liam Burke

Great. Thank you, Kevin. Just really quickly on capital allocation, you've got the revolver in place. You've got plenty of capacity. It provides you great financial flexibility. How do you balance available debt with your buyback program?

Bradley Vizi

It's something—it's front and center we talk about it a lot. I mean, as you see the last few years, I mean, we weren't at all shy about repurchasing shares. And with respect to valuation of our stock price, I think it's probably hard to make the argument that we're anything but undervalued materially, and that will take care of itself.

We're in a really good position right now where when you've taken out 45% of your outstanding, you have like 7.4 million shares outstanding. There's an argument for a baseline level of shares, especially when you have strong insider ownership float, to be able to be freely traded and where institutions can get in and out and so on, and we're thoughtful about that. So it's just another dimension you weigh against just simply the valuation of your shares.

So I mean, it's kind of a hindsight situation when you take out 45% of your shares and average cost of around \$8.50. And when you're sitting around, and sure you have a little bit of debt, right, from a capital allocation perspective, but you have the ability to deliver relatively quickly and have no debt and maybe some cash.

So I mean, I think really, we're in one of the best positions you can be from a capital allocation perspective, is where you're always looking, right, but you really don't have to do anything.

So, open-minded with respect to a dividend. I've spent a very long time dealing with small cap companies and microcap companies. I think there are good arguments against the dividend in certain segments of the market that might not exist in a much larger company. So, it's something we think about. We haven't shut the door on it at all. But in the meantime, we can deliver. And again, like we think about every aspect of that business is make sure we're prudent about our decision-making process.

Liam Burke

Great. Thank you, Brad. Thank you, Kevin.

Operator

All right. At this time, there are no further questions in queue.

Bradley Vizi

Thank you for attending our Q3 conference call. We look forward to our next update in March.

Operator

With that, ladies and gentlemen, this does conclude your call. You may now disconnect your lines, and thank you again for joining us today.