



RCM Technologies, Inc.
2500 McClellan Avenue
Pennsauken, NJ 08109

Tel: 856.356.4500
Fax: 856.356.4600
info@rcmt.com
www.rcmt.com

Corporate Contacts:
Rocco Campanelli
President & CEO
Kevin D. Miller
Chief Financial Officer

P R E S S R E L E A S E

RCM TECHNOLOGIES, INC. ANNOUNCES THIRD QUARTER RESULTS

Pennsauken, NJ – November 1, 2017 -- RCM Technologies, Inc. (NasdaqGM: RCMT), a premier provider of business and technology solutions designed to enhance and maximize the operational performance of its customers through the adaptation and deployment of advanced engineering, information technology and specialty health care services, today announced financial results for the thirteen and thirty-nine week periods ended September 30, 2017.

RCM Technologies reported revenues of \$43.8 million for the thirteen week period ended September 30, 2017, a 10.4% increase as compared to \$39.7 million for the thirteen week period ended October 1, 2016 (the comparable prior year period). Gross profit was \$11.7 million for the thirteen week period ended September 30, 2017, a 15.5% increase as compared to \$10.1 million for the comparable prior year period. Operating income was \$1.6 million for the thirteen week period ended September 30, 2017, a 278.2% increase as compared to \$0.4 million for the comparable prior year period. Net income was \$1.0 million, or \$0.08 per diluted share, as compared to \$0.1 million, or \$0.01 per diluted share, for the comparable prior year period.

RCM Technologies reported revenues of \$135.7 million for the thirty-nine week period ended September 30, 2017, a 2.6% increase as compared to \$132.3 million for the thirty-nine week period ended October 1, 2016 (the comparable prior year period). Gross profit was \$35.6 million for the thirty-nine week period ended September 30, 2017, a 1.9% increase as compared to \$34.9 million for the comparable prior year period. Operating income was \$3.5 million for the thirty-nine week period ended September 30, 2017 as compared to \$3.8 million for the comparable prior year period. Operating income for the thirty-nine week period ended September 30, 2017 included a charge of \$0.8 million for an increase in contingent consideration, primarily related to an acquisition in Canada. Net income was \$1.8 million, or \$0.15 per diluted share, as compared to \$2.0 million, or \$0.16 per diluted share, for the comparable prior year period. Adjusted EBITDA was \$5.5 million for the thirty-nine week period ended September 30, 2017 as compared to \$4.9 million for the comparable prior year period, an increase of 11.0%. Please refer to “Supplemental Operating Results on a Non-GAAP Basis” below for a discussion of this and other non-GAAP measures, including a reconciliation to the most comparable GAAP measure.

Rocco Campanelli, President and Chief Executive Officer of RCM Technologies, commented, “We are very pleased with our results in the third quarter of 2017 as revenue, gross profit and operating income grew by 10%, 16% and 278%, respectively, as compared to third quarter 2016. Our Engineering Group achieved its second highest quarterly gross profit in history and best amount in the past three years. Our Health Care division, which experiences significant seasonality in the third quarter due to summer school closings, set new third quarter records for both revenues and gross profit, growing both over 2016 by approximately 19% and 13%, respectively. Much more importantly, we started strong with our new 2017/2018 school contracts. Our robust start to the new school year should result in solid year-over-year growth for our Health Care division in fiscal 2018. We believe that the consolidated results for the fourth quarter of 2017 will be our best quarter this year. We are excited about finishing 2017 on a high note as we head into fiscal 2018.”

Kevin Miller, Chief Financial Officer of RCM Technologies, added, “We continue to exhibit good cash flow, generating \$1.6 million in cash provided by operating activities in our third quarter and \$7.0 million year to date through September 30, 2017. We expect to continue to have nice cash flow in the fourth quarter of 2017 and expect to post our best quarterly operating income of 2017.”

Conference Call

On Thursday, November 2, 2017, RCM Technologies will host a conference call to discuss these results. The call will begin at 10:00 a.m. Eastern Time. The dial-in number is (877) 331-7677.

About RCM

RCM Technologies, Inc. is a premier provider of business and technology solutions designed to enhance and maximize the operational performance of its customers through the adaptation and deployment of advanced information technology and engineering services. RCM is an innovative leader in the delivery of these solutions to commercial and government sectors. RCM is also a provider of specialty healthcare services to major health care institutions and educational facilities. RCM’s offices are located in major metropolitan centers throughout North America. Additional information can be found at www.rcmt.com.

The Statements contained in this release that are not purely historical are forward-looking statements within the Private Securities Litigation Reform Act of 1995 and are subject to various risks, uncertainties and other factors that could cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. These statements often include words such as “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “intend,” “believe,” “plan,” “seek,” “could,” “can,” “should,” “are confident” or similar expressions. In addition, statements that are not historical should also be considered forward-looking statements. These statements are based on assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. Forward-looking statements include, but are not limited to, those relating to demand for the Company’s services, expectations regarding our future revenues and other financial results, our pipeline and potential project wins and our expectations for growth in our business. Such statements are based on current expectations that involve a number of known and unknown risks, uncertainties and other factors, which may cause actual events to be materially different from those expressed or implied by such forward-looking statements. Risk, uncertainties and other factors may emerge from time to time that could cause the Company’s actual results to differ from those indicated by the forward-looking statements. Investors are directed to consider such risks, uncertainties and other factors described in documents filed by the Company with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. The Company assumes no obligation (and expressly disclaims any such obligation) to update any forward-looking statements contained in this release as a result of new information or future events or developments, except as may be required by law.

Tables to Follow

RCM Technologies, Inc.
Condensed Consolidated Statements of Income
(Unaudited)
(In Thousands, Except Share and Per Share Amounts)

| | Thirteen Week Periods Ended | |
|---|------------------------------------|-------------------|
| | September 30, | October 1, |
| | 2017 | 2016 |
| Revenues | \$43,827 | \$39,695 |
| Cost of services | 32,109 | 29,551 |
| Gross profit | 11,718 | 10,144 |
| Selling, general and administrative | 9,700 | 9,334 |
| Depreciation and amortization | 422 | 388 |
| Operating income | 1,596 | 422 |
| Interest expense, net and foreign currency transactions | (154) | (128) |
| Income before income taxes | 1,442 | 294 |
| Income tax expense | 422 | 184 |
| Net income | <u>\$1,020</u> | <u>\$110</u> |
| | | |
| Diluted net earnings per share data | \$0.08 | \$0.01 |

| | Thirty-Nine Week Periods Ended | |
|---|---------------------------------------|-------------------|
| | September 30, | October 1, |
| | 2017 | 2016 |
| Revenues | \$135,680 | \$132,250 |
| Cost of services | 100,097 | 97,326 |
| Gross profit | 35,583 | 34,924 |
| Selling, general and administrative | 30,092 | 29,976 |
| Depreciation and amortization | 1,229 | 1,177 |
| Change in contingent consideration | 781 | - |
| Operating income | 3,481 | 3,771 |
| Interest expense, net and foreign currency transactions | (371) | (413) |
| Income before income taxes | 3,110 | 3,358 |
| Income tax expense | 1,351 | 1,384 |
| Net income | <u>\$1,759</u> | <u>\$1,974</u> |
| | | |
| Diluted net earnings per share data | \$0.15 | \$0.16 |

RCM Technologies, Inc.
Summary Consolidated Selected Balance Sheet Data
(In Thousands)

| | September 30, | December 31, |
|---------------------------------|----------------------|---------------------|
| | 2017 | 2016 |
| | (Unaudited) | |
| Cash and cash equivalents | \$825 | \$279 |
| Accounts receivable, net | \$41,942 | \$45,170 |
| Total current assets | \$47,643 | \$53,071 |
| Total assets | \$64,048 | \$69,831 |
| Total current liabilities | \$19,659 | \$23,713 |
| Borrowing under line of credit | \$9,451 | \$14,311 |
| Net debt (borrowings less cash) | \$8,626 | \$14,032 |
| Total liabilities | \$30,045 | \$38,576 |
| Stockholders' equity | \$34,003 | \$31,255 |
| Treasury stock | (\$14,987) | (\$14,622) |

RCM Technologies, Inc.
Supplemental Operating Results on a Non-GAAP Basis
(Unaudited)
(In Thousands)

The following non-GAAP data, which adjusts for the categories of expenses described below, primarily changes in contingent consideration, is a non-GAAP financial measure. Our management believes that this non-GAAP financial measure is useful information for investors, shareholders and other stakeholders of our company in gauging our results of operations on an ongoing basis. We believe that EBITDA is a performance measure and not a liquidity measure, and therefore have provided a reconciliation between net income and EBITDA and Adjusted EBITDA. EBITDA should not be considered as an alternative to net income as an indicator of performance. In addition, EBITDA does not take 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 table presents the Company's GAAP Net Income measure and the corresponding adjustments used to calculate "EBITDA", "Adjusted EBITDA", "Adjusted Net Income" and "Diluted EPS" for the thirteen weeks and thirty-nine weeks ended September 30, 2017 and October 1, 2016.

| | Thirteen Week Periods Ended | | Thirty-Nine Week Periods Ended | |
|--|-----------------------------|--------------------|--------------------------------|--------------------|
| | September 30, 2017 | October 1, 2016 | September 30, 2017 | October 1, 2016 |
| GAAP net income | \$1,020 | \$110 | \$1,759 | \$1,974 |
| Income tax expense | 422 | 184 | 1,351 | 1,384 |
| Interest expense | 137 | 114 | 409 | 422 |
| Depreciation and amortization | 422 | 388 | 1,229 | 1,177 |
| EBITDA (non-GAAP) | \$2,001 | \$796 | \$4,748 | \$4,957 |
| Adjustments | | | | |
| Change in contingent consideration | - | - | 781 | - |
| Gain (loss) on foreign currency transactions | 17 | 14 | (38) | (9) |
| Adjusted EBITDA (non-GAAP) | \$2,018 | \$810 | \$5,491 | \$4,948 |
| GAAP net income | \$1,020 | \$110 | \$1,759 | \$1,974 |
| Adjustments | | | | |
| Change in contingent consideration | - | - | 781 | - |
| Adjusted net income (non-GAAP) | \$1,020 | \$110 | \$2,540 | \$1,974 |
| GAAP Diluted EPS | \$0.08 | \$0.01 | \$0.15 | \$0.16 |
| Adjustments | | | | |
| Change in contingent consideration | - | - | \$0.06 | - |
| Adjusted Diluted EPS (non-GAAP) | \$0.08 | \$0.01 | \$0.21 | \$0.16 |

RCM Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

| | Thirteen Week Periods Ended | |
|---|------------------------------------|----------------------------|
| | September 30, 2017 | October 1, 2016 |
| Net income | \$1,020 | \$110 |
| Adjustments to reconcile net income to cash provided by operating activities | 419 | 608 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 2,075 | 5,437 |
| Prepaid expenses and other current assets | (21) | 241 |
| Net of transit accounts receivable and payable | (917) | (820) |
| Accounts payable and accrued expenses | (777) | 201 |
| Accrued payroll and related costs | (653) | (1,498) |
| Income taxes payable | 480 | 168 |
| Total adjustments | <u>606</u> | <u>4,337</u> |
| Cash provided by operating activities | <u>\$1,626</u> | <u>\$4,447</u> |
| Net cash used in investing activities | (192) | (87) |
| Net cash used in financing activities | (972) | (4,331) |
| Effect of exchange rate changes | (28) | 40 |
| Increase in cash and cash equivalents | <u>\$434</u> | <u>\$69</u> |

| | Thirty-Nine Week Periods Ended | |
|---|---------------------------------------|----------------------------|
| | September 30, 2017 | October 1, 2016 |
| Net income | \$1,759 | \$1,974 |
| Adjustments to reconcile net income to cash provided by operating activities | 3,026 | 1,975 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 3,682 | 8,600 |
| Prepaid expenses and other current assets | 230 | 1,847 |
| Net of transit accounts receivable and payable | (1,189) | 864 |
| Accounts payable and accrued expenses | (1,313) | (1,746) |
| Accrued payroll and related costs | (185) | (2,334) |
| Income taxes payable | 946 | 948 |
| Total adjustments | <u>5,197</u> | <u>10,154</u> |
| Cash provided by operating activities | <u>\$6,956</u> | <u>\$12,128</u> |
| Net cash used in investing activities | (743) | (729) |
| Net cash used in financing activities | (5,621) | (12,097) |
| Effect of exchange rate changes | (46) | 16 |
| Increase (decrease) in cash and cash equivalents | <u>\$546</u> | <u>(\$682)</u> |

RCM Technologies, Inc.
Summary of Selected Income Statement Data
(Unaudited)
(In Thousands)

Thirteen Week Period Ended September 30, 2017

| | Engineering | Information Technology | Specialty Health Care | Consolidated |
|---------------------|----------------|---------------------------|--------------------------|-----------------|
| Revenue | \$21,708 | \$7,784 | \$14,335 | \$43,827 |
| Cost of services | 15,533 | 5,771 | 10,805 | 32,109 |
| Gross Profit | <u>\$6,175</u> | <u>\$2,013</u> | <u>\$3,530</u> | <u>\$11,718</u> |
| Gross Profit Margin | 28.4% | 25.9% | 24.6% | 26.7% |

Thirteen Week Period Ended October 1, 2016

| | Engineering | Information Technology | Specialty Health Care | Consolidated |
|---------------------|----------------|---------------------------|--------------------------|-----------------|
| Revenue | \$17,591 | \$10,069 | \$12,035 | \$39,695 |
| Cost of services | 13,292 | 7,335 | 8,924 | 29,551 |
| Gross Profit | <u>\$4,299</u> | <u>\$2,734</u> | <u>\$3,111</u> | <u>\$10,144</u> |
| Gross Profit Margin | 24.4% | 27.2% | 25.8% | 25.6% |

Thirty-Nine Week Period Ended September 30, 2017

| | Engineering | Information Technology | Specialty Health Care | Consolidated |
|---------------------|-----------------|---------------------------|--------------------------|-----------------|
| Revenue | \$61,517 | \$24,951 | \$49,212 | \$135,680 |
| Cost of services | 44,598 | 18,430 | 37,069 | 100,097 |
| Gross Profit | <u>\$16,919</u> | <u>\$6,521</u> | <u>\$12,143</u> | <u>\$35,583</u> |
| Gross Profit Margin | 27.5% | 26.1% | 24.7% | 26.2% |

Thirty-Nine Week Period Ended October 1, 2016

| | Engineering | Information Technology | Specialty Health Care | Consolidated |
|---------------------|-----------------|---------------------------|--------------------------|-----------------|
| Revenue | \$55,019 | \$33,766 | \$43,465 | \$132,250 |
| Cost of services | 40,859 | 24,455 | 32,012 | 97,326 |
| Gross Profit | <u>\$14,160</u> | <u>\$9,311</u> | <u>\$11,453</u> | <u>\$34,924</u> |
| Gross Profit Margin | 25.7% | 27.6% | 26.3% | 26.4% |