



## RGP Publishes Letter From CEO Regarding COVID-19

May 4, 2020

IRVINE, Calif.--(BUSINESS WIRE)--May 4, 2020-- [Resources Global Professionals](#) ("RGP"), the operating subsidiary of Resources Connection, Inc. (Nasdaq: RGP), today posted the following letter from its CEO, Kate Duchene, on its website at [rgp.com/company/news/](http://rgp.com/company/news/):

Dear RGP Community,

At a time when economic uncertainty reigns due to COVID-19, I want to be as transparent as possible with our investor community about what we know and how we're managing through the pandemic. I'm pleased to share that our overall headline is both positive and steady: We provide an essential service and our management employee teams have adjusted quickly to working from home. We continue to serve our clients effectively around the world, and generally, business remains fairly stable.

Before diving further into the current state of the business, let me start with what we consider to be our greatest asset and top priority, now and always: our people. Ensuring the health and safety of our employees and their families has been our primary focus throughout this challenging time. We've been fiercely committed to doing our part to offer support, including through weekly communications from our leadership and Business Continuity Team, access to telemedicine and employee assistance programs, as well as virtual learning and training opportunities. For example, in late April, we launched RGP Kids Academy, a program we created to relieve pressure on our busy working parents with a virtual learning environment supported by tutors from across the RGP community. And while RGP already offers PTO and sick leave benefits to all our employees, we implemented a COVID-specific supplemental paid leave program for consultants unable to work after contracting the virus. I'm immensely proud of the professionalism displayed by our people and the actions we've taken to support them during this time of crisis.

Even as we confront the current economic climate, we know we're fortunate in several important respects. Given the nature of our business, we've always had a strong balance sheet, including healthy levels of cash on hand and a modest debt leverage ratio. Our variable expense operating model serves to mitigate our risk profile translating into a fixed-cost load that's much lower than running an employed-bench model. For example, in our most recent quarter, we consider approximately 70% of our total cost to be variable, and in a time of grave economic uncertainty, it's hard to overstate the power of this model.

The timing of our recent restructuring initiative put us well ahead of the curve from both a financial perspective, and in preparing us for a swift transition to virtual operations. In early March—before the significant spread of COVID-19's economic impact—we reduced our workforce by 8% and launched a plan to terminate a quarter of our real estate leases in North America. Upon completion of these actions, we expect a total pre-tax savings of \$16 to \$19 million annually. We intend to reinvest a limited portion of these savings over time into digital capabilities and to drive forward certain growth initiatives in core markets. Because of these actions, we will improve our Adjusted EBITDA performance which is a stated goal of the organization.

With respect to business trends during the COVID-19 pandemic, revenue from weeks ending 3/7/20 to 4/18/20 dropped by approximately 4% relative to the first seven non-holiday weeks of the calendar year. Over this same period, our gross margins remained relatively consistent with historical trends. Excluding the restructuring cost impact from the personnel reduction and real estate terminations, our SG&A performance as a percentage of revenue is improving in the fourth quarter. Given the fluid nature of this crisis, there is no guarantee we can maintain this performance. Our fiscal fourth quarter results will depend upon how quickly the economy reopens and how companies continue their focus on strategic projects and investments in transformation.

We're also deeply proud of the transformation work we've accomplished over the last several years to create a more resilient company. We've evolved our operating mode and go-to-market strategy, expanded our mix and range of services, and established a function dedicated to digital innovation. We've made strides in modernizing our systems and structure to support growth and scale as well as ensure productive virtual operations. Lastly, we welcome the macro trends around the Future of Work driving a pronounced shift to agility that favors RGP's business model and creates opportunity on both the supply and demand sides of our business.

Although grateful for every advantage in navigating this unprecedented and challenging period, our management team has been taking proactive and protective measures to keep our business stable and to preserve our liquidity position. Among them:

- Drawing down our revolving Credit Facility to ensure substantial cash reserves;
- Taking full advantage of opportunities for payment deferral and incremental benefits under the CARES Act;
- Exploring benefits available to us under foreign stimulus packages for our international subsidiaries;
- Refraining from making share repurchases in the fourth quarter;
- Closely monitoring receivables and actively working with our clients on payment arrangements that are mutually beneficial;
- Proactively varying and managing cash disbursements;
- Negotiating real estate obligation concessions; and
- Conducting scenario planning/analysis to drive management decisions and maintain the health of the business.

While we focus on preserving cash and prudent fiscal management, we're also closely tracking pipeline activity and coaching sales teams on how to adjust their approach given the pandemic and its impact on client operations and priorities. We're actively uncovering areas of opportunity with our clients, including healthcare compliance, financial services compliance, returning offshored finance and accounting operational work and rethinking supply chain strategies. Finally, the Board approved a quarterly dividend in the fourth quarter to be paid on June 10, 2020. We've consistently paid our dividend over the past 10 years and believe the business remains stable enough to continue supporting that program.

As we approach the summer months with several weeks of the “new normal” under our belts, we’re both thankful and confident—but we remain vigilant. While the weeks may feel long, we know it’s still too early to determine the ultimate impact COVID-19 will have on our business and market performance. I’m certain, however, that our strong foundation and robust business continuity planning efforts will serve us well in the future as we forge ahead.

We thank you for your continued support of RGP and wish you the very best in the days ahead.

Kate

#### **About RGP**

RGP is a global consulting firm that enables rapid business outcomes by bringing together the right people to create transformative change. As a human capital partner for our clients, we specialize in solving today’s most pressing business problems across the enterprise in the areas of Business Strategy & Transformation, Finance & Accounting, Risk & Compliance and Technology & Digital Innovation. Our engagements are designed to leverage human connection and collaboration to deliver practical solutions and more impactful results that power our clients, consultants and partners’ success.

RGP was founded in 1996 to help finance executives with operational needs and special projects created by workforce gaps. Our first-to-market, agile human capital model disrupted the professional services industry at a time when traditional talent models prevailed. Today’s new ecosystem for work embraces our founding principle – quickly align the right resource for the work at hand with a premium placed on value, efficiency and ease of use.

Our pioneering approach to workforce strategy uniquely positions us to support our clients on their transformation journeys. With more than 4,000 professionals, we annually engage with over 2,400 clients around the world from more than 70 practice offices. We are their partner in delivering on the future of work. Headquartered in Irvine, California, RGP is proud to have served 88 of the Fortune 100.

The Company is listed on the Nasdaq Global Select Market, the exchange’s highest tier by listing standards. To learn more about RGP, visit: <http://www.rgp.com>. (RGP-F)

#### **Forward-Looking Statements**

Certain statements in this press release are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by words such as “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “remain,” “should” or “will” or the negative of these terms or other comparable terminology. In this press release, such statements include statements regarding our expectations for growth, the expected impact of our recent restructuring actions, the expected impact of the COVID-19 pandemic on our business and operating results and the expected impact of our previously announced operational initiatives and our new business pipeline. Such statements and all phases of the Company’s operations are subject to known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements and those of our industry to differ materially from those expressed or implied by these forward-looking statements. Risks and uncertainties include uncertainties regarding the impact of the COVID-19 pandemic on our business and the economy generally; our ability to successfully execute on our strategic initiatives, our ability to compete effectively in the highly competitive professional services market and to secure new projects from clients, our ability to successfully integrate any acquired companies, seasonality, overall economic conditions and other factors and uncertainties as are identified in our most recent Annual Report on Form 10-K for the year ended May 25, 2019 and our other public filings made with the Securities and Exchange Commission (File No. 000-32113). Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business or operating results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not intend, and undertakes no obligation, to update the forward-looking statements in this press release to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, unless required by law to do so.

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