UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 February 25, 2023

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: 0-32113

RESOURCES CONNECTION, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**33-0832424** **(I.R.S. Employer Identification No.)**

17101 Armstrong Avenue, Irvine, California 92614
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (714) 430-6400

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common stock, par value $0.01 per share	RGP	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

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

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

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

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

Indicate by check mark 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 each of the issuer's classes of common stock, as of the latest practicable date.

As of March 30, 2023, 33,628,762 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

RESOURCES CONNECTION, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. ***CONSOLIDATED FINANCIAL STATEMENTS.***

RESOURCES CONNECTION, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value per share)

	February 25, 2023 (Unaudited)	May 28, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,905	$ 104,224
Trade accounts receivable, net of allowance for doubtful accounts of $3,012 and $2,121 as of February 25, 2023 and May 28, 2022, respectively	143,584	153,154
Prepaid expenses and other current assets	7,046	6,123
Assets held for sale	-	9,889
Income taxes receivable	8,019	35,151
Total current assets	262,554	308,541
Goodwill	206,439	209,785
Intangible assets, net	12,327	15,760
Property and equipment, net	16,133	17,657
Operating lease right-of-use assets	16,469	17,541
Deferred tax assets	10,304	8,266
Other non-current assets	8,094	3,923
Total assets	$ 532,320	$ 581,473
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$ 16,548	$ 13,630
Accrued salaries and related obligations	66,676	83,549
Operating lease liabilities, current	7,743	8,193
Liabilities held for sale	-	4,419
Other current liabilities	11,123	14,531
Total current liabilities	102,090	124,322
Long-term debt	-	54,000
Operating lease liabilities, non-current	11,510	13,352
Deferred tax liabilities	8,718	14,428
Other non-current liabilities	3,167	2,922
Total liabilities	125,485	209,024
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 5,000 shares authorized; zero shares issued and outstanding	-	-
Common stock, $0.01 par value, 70,000 shares authorized; 35,398 and 34,352 shares issued, and 33,625 and 33,197 shares outstanding as of February 25, 2023 and May 28, 2022, respectively	354	344
Additional paid-in capital	374,563	355,502
Accumulated other comprehensive loss	(18,635)	(16,484)
Retained earnings	80,711	52,738
Treasury stock at cost, 1,773 and 1,155 shares as of February 25, 2023 and May 28, 2022, respectively	(30,158)	(19,651)
Total stockholders' equity	406,835	372,449
Total liabilities and stockholders' equity	$ 532,320	$ 581,473

The accompanying notes are an integral part of these consolidated financial statements.

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 25, 2023	**February 26, 2022**	**February 25, 2023**	**February 26, 2022**
Revenue	$ 186,777	$ 204,609	$ 591,194	$ 587,987
Direct cost of services	115,170	127,815	353,770	361,020
Gross profit	71,607	76,794	237,424	226,967
Selling, general and administrative expenses	59,371	57,090	172,335	165,365
Goodwill impairment	2,955	-	2,955	-
Amortization expense	1,275	1,321	3,743	3,608
Depreciation expense	885	882	2,652	2,694
Income from operations	7,121	17,501	55,739	55,300
Interest expense, net	147	307	662	744
Other income	(43)	(35)	(381)	(653)
Income before income tax (benefit) expense	7,017	17,229	55,458	55,209
Income tax (benefit) expense	(2)	(2,192)	12,867	8,561
Net income	$ 7,019	$ 19,421	$ 42,591	$ 46,648
Net income per common share:				
Basic	$ 0.21	$ 0.59	$ 1.27	$ 1.42
Diluted	$ 0.21	$ 0.58	$ 1.24	$ 1.39
Weighted-average number of common and common equivalent shares outstanding:				
Basic	33,466	32,738	33,418	32,951
Diluted	34,149	33,375	34,245	33,556
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.42	$ 0.42

The accompanying notes are an integral part of these consolidated financial statements.

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Net income	$ 7,019	$ 19,421	$ 42,591	$ 46,648
Foreign currency translation adjustment, net of tax	1,124	(963)	(2,151)	(5,319)
Total comprehensive income	$ 8,143	$ 18,458	$ 40,440	$ 41,329

The accompanying notes are an integral part of these consolidated financial statements.

RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended February 25, 2023							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances as of November 26, 2022	35,108	$ 351	$ 367,948	1,473	$ (25,002)	$ (19,759)	$ 78,608	$ 402,146
Exercise of stock options	58	1	652	-	-	-	-	653
Stock-based compensation expense	-	-	2,610	-	-	-	-	2,610
Issuance of common stock purchased under Employee Stock Purchase Plan	210	2	3,154	-	-	-	-	3,156
Issuance of restricted stock	22	-	-	-	-	-	-	-
Cash dividends declared ($0.14 per share)	-	-	-	-	-	-	(4,707)	(4,707)
Dividend equivalents on restricted stock units and performance stock units	-	-	199	-	-	-	(209)	(10)
Repurchase of common stock	-	-	-	300	(5,156)	-	-	(5,156)
Currency translation adjustment	-	-	-	-	-	1,124	-	1,124
Net income for the three months ended February 25, 2023	-	-	-	-	-	-	7,019	7,019
Balances as of February 25, 2023	35,398	$ 354	$ 374,563	1,773	$ (30,158)	$ (18,635)	$ 80,711	$ 406,835

	For the Nine Months Ended February 25, 2023							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances as of May 28, 2022	34,352	$ 344	$ 355,502	1,155	$ (19,651)	$ (16,484)	$ 52,738	$ 372,449
Exercise of stock options	477	4	7,382	-	-	-	-	7,386
Stock-based compensation expense	-	-	6,970	-	-	-	-	6,970
Issuance of common stock purchased under Employee Stock Purchase Plan	393	4	5,995	-	-	-	-	5,999
Issuance of restricted stock	97	1	(1)	-	-	-	-	-
Issuance of common stock upon vesting of restricted stock units, net of shares withheld to cover taxes	79	1	(1,762)	-	-	-	(5)	(1,766)
Cash dividends declared ($0.42 per share)	-	-	-	-	-	-	(14,136)	(14,136)
Dividend equivalents on restricted stock units and performance stock units	-	-	477	-	-	-	(477)	-
Repurchase of common stock	-	-	-	618	(10,507)	-	-	(10,507)
Currency translation adjustment	-	-	-	-	-	(2,151)	-	(2,151)
Net income for the nine months ended February 25, 2023	-	-	-	-	-	-	42,591	42,591
Balances as of February 25, 2023	35,398	$ 354	$ 374,563	1,773	$ (30,158)	$ (18,635)	$ 80,711	$ 406,835

	For the Three Months Ended February 26, 2022							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances as of November 27, 2021	33,683	$ 337	$ 342,807	-	$ -	$ (11,749)	$ 22,205	$ 353,600
Exercise of stock options	312	3	4,311	-	-	-	-	4,314
Stock-based compensation expense	-	-	2,115	-	-	-	-	2,115
Issuance of common stock purchased under Employee Stock Purchase Plan	243	2	2,825	-	-	-	-	2,827
Issuance of restricted stock	22	-	-	-	-	-	-	-
Cash dividends declared ($0.14 per share)	-	-	-	-	-	-	(4,635)	(4,635)
Dividend equivalents on restricted stock units and performance stock units	-	-	70	-	-	-	(70)	-
Repurchase of common stock	-	-	-	1,155	(19,651)	-	-	(19,651)
Currency translation adjustment	-	-	-	-	-	(963)	-	(963)
Net income for the three months ended February 26, 2022	-	-	-	-	-	-	19,421	19,421
Balances as of February 26, 2022	34,260	$ 342	$ 352,128	1,155	$ (19,651)	$ (12,712)	$ 36,921	$ 357,028

	For the Nine Months Ended February 26, 2022							
	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances as of May 29, 2021	64,626	$ 646	$ 489,864	31,741	$ (520,800)	$ (7,393)	$ 367,229	$ 329,546
Exercise of stock options	741	7	10,696	-	-	-	-	10,703
Stock-based compensation expense	-	-	4,969	-	-	-	-	4,969
Issuance of common stock purchased under Employee Stock Purchase Plan	463	4	5,174	-	-	-	-	5,178
Issuance of restricted stock	97	1	(1)	(2)	-	-	-	-
Issuance of common stock upon vesting of restricted stock units, net of shares withheld to cover taxes	72	1	(1,096)	-	-	-	-	(1,095)
Amortization of restricted stock issued out of treasury stock to board of director members	-	-	(24)	-	114	-	(50)	40
Cash dividends declared ($0.42 per share)	-	-	-	-	-	-	(13,991)	(13,991)
Dividend equivalents on restricted stock units and performance stock units	-	-	192	-	-	-	(192)	-
Retirement of treasury stock	(31,739)	(317)	(157,646)	(31,739)	520,686	-	(362,723)	-
Repurchase of common stock	-	-	-	1,155	(19,651)	-	-	(19,651)
Currency translation adjustment	-	-	-	-	-	(5,319)	-	(5,319)
Net income for the nine months ended February 26, 2022	-	-	-	-	-	-	46,648	46,648
Balances as of February 26, 2022	34,260	$ 342	$ 352,128	1,155	$ (19,651)	$ (12,712)	$ 36,921	$ 357,028

The accompanying notes are an integral part of these consolidated financial statements.

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	February 25, 2023	**February 26, 2022**
Cash flows from operating activities:		
Net income	$ 42,591	$ 46,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	6,395	6,302
Stock-based compensation expense	7,375	5,851
Gain on dispositions of subsidiaries	(238)	(959)
Goodwill impairment	2,955	-
Impairment of operating lease right-of-use assets	-	826
Adjustment to allowance for doubtful accounts	1,026	434
Deferred income taxes	(7,927)	(10,411)
Other, net	(291)	540
Changes in operating assets and liabilities, net of dispositions:		
Trade accounts receivable	7,386	(36,399)
Prepaid expenses and other current assets	(914)	(622)
Income taxes	26,862	(1,036)
Other assets	(1,445)	(220)
Accounts payable and other accrued expenses	3,757	2,347
Accrued salaries and related obligations	(19,397)	19,857
Other liabilities	(4,257)	(10,482)
Net cash provided by operating activities	63,878	22,676
Cash flows from investing activities:		
Proceeds from sale of *taskforce*	2,984	-
Proceeds from sale of assets	5	256
Investments in property and equipment and internal-use software	(1,441)	(2,619)
Net cash provided by (used in) investing activities	1,548	(2,363)
Cash flows from financing activities:		
Proceeds from exercise of stock options	8,257	11,293
Proceeds from issuance of common stock under Employee Stock Purchase Plan	5,999	5,178
Payment of contingent consideration liabilities	-	(3,575)
Proceeds from Revolving Credit Facility	15,000	73,393
Repayments on Revolving Credit Facility	(69,000)	(63,000)
Repurchase of common stock	(10,507)	(19,651)
Payment of debt issuance costs	-	(117)
Payment of cash dividends	(14,076)	(13,965)
Net cash used in financing activities	(64,327)	(10,444)
Effect of exchange rate changes on cash and cash equivalents	(1,418)	(2,071)
Net (decrease) increase in cash and cash equivalents	(319)	7,798
Cash and cash equivalents at beginning of period	104,224	74,391
Cash and cash equivalents at end of period	$ 103,905	$ 82,189
Supplemental cash flow disclosures		
Income taxes paid, net of refund	$ (6,354)	$ 20,201
Interest paid	875	766
Non-cash investing and financing activities		
Capitalized leasehold improvements paid directly by landlord	$ -	$ 7
Increase in long-term receivable in connection with the sale of *taskforce*	2,984	-
Dividends declared, not paid	4,707	4,635

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of the Company and its Business

Resources Connection, Inc. (the "Company"), a Delaware corporation, was incorporated on November 16, 1998. The Company's operating entities provide services primarily under the name Resources Global Professionals ("RGP"). RGP is a global consulting firm focused on project execution services that power clients' operational needs and change initiatives utilizing on-demand, experienced and diverse talent. As a next-generation human capital partner for its clients, the Company specializes in co-delivery of enterprise initiatives typically precipitated by business transformation, strategic transactions or regulatory change. The Company's principal markets of operations are North America, Europe and Asia Pacific.

The Company's fiscal year consists of 52 or 53 weeks, ending on the Saturday in May closest to May 31. The third quarters of fiscal 2023 and 2022 each consisted of 13 weeks. The Company's fiscal year 2023 will consist of 52 weeks.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements of the Company as of and for the three and nine months ended February 25, 2023 and February 26, 2022 have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. These financial statements include all adjustments (consisting only of normal recurring adjustments) the Company's management considers necessary for a fair presentation of its financial position at such dates and the operating results and cash flows for those periods. The financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management 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 amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions are adequate, actual results could differ from the estimates and assumptions used.

The fiscal 2022 year-end balance sheet data was derived from audited consolidated financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to Securities and Exchange Commission ("SEC") rules or regulations; however, the Company believes the disclosures made are adequate to make the information presented not misleading.

The unaudited consolidated results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for the full fiscal year. These interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 28, 2022, which are included in the Company's Annual Report on Form 10-K ("Fiscal Year 2022 Form 10-K") filed with the SEC on July 28, 2022 (File No. 0-32113).

A complete listing of the Company's significant accounting policies is discussed in Note 2 – *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in the Fiscal Year 2022 Form 10-K.

Reporting Segments

On May 31, 2022, the Company divested *taskforce* – Management on Demand GmbH, and its wholly-owned subsidiary skillforce – Executive Search GmbH, a German professional services firm operating under the *taskforce* brand ("*taskforce")*; see Note 4 – *Dispositions* for further information. Since the second quarter of fiscal 2021 and prior to the divestment, the business operated by *taskforce*, along with its parent company, Resources Global Professionals (Germany) GmbH ("RGP Germany"), an affiliate of the Company, represented an operating segment of the Company and was reported as a part of Other Segments.

Effective May 31, 2022, the Company's operating segments consist of the following:

RGP – a global consulting firm focused on project execution services that power clients' operational needs and change initiatives utilizing on-demand, experienced and diverse talent; and
Sitrick – a crisis communications and public relations firm which operates under the Sitrick brand, providing corporate, financial, transactional and crisis communication and management services.

Each of these segments reports through a separate management team to the Company's Chief Executive Officer, who is designated as the Chief Operating Decision Maker ("CODM") for segment reporting purposes. RGP is the Company's only operating segment that meets the quantitative threshold of a reportable segment. Sitrick does not individually meet the quantitative threshold to qualify as a reportable segment. Therefore, Sitrick is disclosed in Other Segments. Each of these segments represents a reporting unit for the purposes of assessing goodwill for impairment.

Prior-period comparative segment information was not restated as a result of the divestiture of *taskforce* as the Company did not have a change in internal organization or the financial information that the CODM uses to assess performance and allocate resources. See Note 13 – *Segment Information and Enterprise Reporting* for further information.

Per Share Information

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS is based upon the weighted-average number of common shares and common equivalent shares outstanding during the period, calculated using the treasury stock method. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

The following table summarizes the calculation of net income per common share for the three and nine months ended February 25, 2023 and February 26, 2022 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Net income	$ 7,019	$ 19,421	$ 42,591	$ 46,648
Basic:				
Weighted-average shares	33,466	32,738	33,418	32,951
Diluted:				
Weighted-average shares	33,466	32,738	33,418	32,951
Potentially dilutive shares	683	637	827	605
Total diluted shares	34,149	33,375	34,245	33,556
Net income per common share:				
Basic	$ 0.21	$ 0.59	$ 1.27	$ 1.42
Diluted	$ 0.21	$ 0.58	$ 1.24	$ 1.39
Anti-dilutive shares not included above	694	1,924	650	2,009

Financial Instruments

The fair value of the Company's financial instruments reflects the amounts that the Company estimates it will receive in connection with the sale of an asset in an orderly transaction between market participants at the measurement date (exit price).

The Company's financial instruments, including cash and cash equivalents, trade accounts receivable, accounts payable and other accrued expenses and long-term debt are carried at cost, which approximates their fair value because of the short-term maturity of these instruments or because their stated interest rates are indicative of market interest rates.

Goodwill Impairment

Goodwill is tested for impairment on an annual basis in the fourth quarter and more frequently if indicators of potential impairment exist. Impairment testing is conducted at the reporting unit level. Application of the goodwill impairment test requires judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the Company's business, and determination of the Company's weighted average cost of capital. Under Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, the qualitative assessment requires the consideration of factors such as recent market transactions, macroeconomic conditions, and changes in projected future cash flows or planned revenue or earnings of the reporting unit as potential indicators when determining the need for a quantitative assessment of impairment. The Company has assessed the existence of impairment indicators on goodwill associated with Sitrick, one of the Company's operating segments and reporting units, as of February 25, 2023, and determined that quantitative impairment analyses were required due to its business performance.

As a result of the quantitative impairment test, the Company concluded that the carrying amount of the Sitrick exceeded its fair value, which resulted in an impairment charge of $3.0 million on the goodwill associated within the Other Segments on the consolidated statements of operations for the three and nine months ended February 25, 2023. No goodwill remains within Other Segments as of February 25, 2023. See Note 5 – *Goodwill and Intangible Assets* for further information.

Assets and Liabilities Held for Sale

Assets and liabilities held for sale represent primarily cash, accounts receivable, goodwill and other assets and liabilities that met the criteria of "held for sale" accounting, as specified by ASC 360, *Property, Plant, and Equipment*. The effect of suspending amortization on noncurrent assets held for sale was immaterial to the Company's results of operations.

The Company records assets and liabilities held for sale at the lower of carrying value or fair value less cost to sell. Fair value was based on the estimated proceeds from the sale of the business utilizing the purchase price as defined in the agreement. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale.

As of May 28, 2022, the Company classified certain assets and liabilities as held for sale in connection with the sale of *taskforce*, which closed on May 31, 2022. See Note 4 – *Dispositions* for further information.

Capitalized Hosting Arrangements

The capitalized hosting arrangements costs are primarily related to the implementation of a cloud-based enterprise resource planning system and talent acquisition and management system. Such costs include third party implementation costs and costs associated with internal resources directly involved in the implementation. Capitalized hosting arrangements are stated at historical cost and amortized on a straight-line basis over an estimated useful life of the expected term of the hosting arrangement, taking into consideration several other factors such as, but not limited to, options to extend the hosting arrangement or options to terminate the hosting arrangement. The amortization of capitalized implementation costs for hosting arrangements will commence when the systems are ready for their intended use and will be presented as operating expenses on the consolidated statements of operations consistent with the presentation for expensing the fees for the associated hosting arrangement.

As of February 25, 2023, the capitalized costs related to hosting arrangements incurred during the application development stage were $3.2 million. These capitalized hosting arrangements are included in other non-current assets on the consolidated balance sheet and no costs were amortized. There were no capitalized costs recorded as of May 28, 2022.

Stock Repurchases and Retirement

The Company's stock repurchase program provides an opportunity for the Company to repurchase shares at the discretion of the Company's senior executives based on numerous factors, including, without limitation, share price and other market conditions, the Company's ongoing capital allocation planning, the levels of cash and debt balances, and other demands for cash. The Company recognizes treasury stock based on the amount paid to repurchase its shares. Direct costs incurred to acquire treasury stock are treated like stock issue costs and added to the cost of the treasury stock.

The Company accounts for the retirement of repurchased shares using the par value method under which the cost of repurchased and retired shares in excess of the par value is allocated between additional paid-in capital and retained earnings. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. The Company uses the weighted-average cost flow assumption to identify and assign the original issue proceeds to the cost of the shares repurchased and retired. The Company believes that this allocation method is preferable because it more accurately reflects its paid-in capital balances by allocating the cost of the shares repurchased and retired to paid-in capital in proportion to paid-in capital associated with the original issuance of those shares. See Note 9 – *Stockholders' Equity* for further information.

Recent Accounting Pronouncements

No recent accounting pronouncements or changes in accounting pronouncements have been issued or adopted that are of material significance, or have potential material significance, to the Company's financial statements since those discussed in the Company's Fiscal Year 2022 Form 10-K.

3. Revenue Recognition

The timing of revenue recognition, billings and cash collections affects the recognition of trade accounts receivable, contract assets and contract liabilities.

Contract assets represent the Company's rights to consideration for completed performance under the contract (i.e., unbilled receivables), in which the Company has transferred control of the product or services before there is an unconditional right to payment. Contract assets were $40.7 million and $42.6 million as of February 25, 2023 and May 28, 2022, respectively, which were included in trade accounts receivable in the Consolidated Balance Sheets.

Contract liabilities represent deferred revenue when cash is received in advance of performance of services and are presented in other current liabilities in the Consolidated Balance Sheets. Contract liabilities were $3.7 million and $4.2 million as of February 25, 2023 and May 28, 2022, respectively. Revenues recognized during the three and nine months ended February 25, 2023, which were included in deferred revenue as of May 28, 2022 were $0.6 million and $2.3 million, respectively.

4. Dispositions

Sale of taskforce

On April 21, 2022, RGP Germany entered into a Sale and Purchase Agreement (the "SPA") to sell its business in *taskforce* to MoveVision – Management-, Beteiligungs- und Servicegesellschaft mbH and Blue Elephant – Management-, Beteiligungs- und Servicegesellschaft mbH (collectively, the "Purchasers"), owned by the original founder and a member of the senior leadership team of *taskforce*, respectively. The SPA provided for the sale of all of the shares of *taskforce* from RGP Germany to the Purchasers for a purchase price of approximately EUR 5.5 million, subject to final working capital adjustments, with 50% of the consideration to be paid in cash in connection with the closing and the remaining 50% payable on July 1, 2024 and bearing interest based on the Company's average borrowing interest rate plus 285 basis points, compounded annually.

On May 31, 2022, the Company completed the sale of *taskforce*. Upon conclusion of the Final Completion Accounts and Calculation (as defined in the Sale and Purchase Agreement), the final purchase price was determined to be EUR 5.5 million (approximately $6.0 million), of which EUR 2.8 million (approximately $3.0 million) was received in cash and EUR 2.7 million (approximately $3.0 million) shall become due in July 2024 in accordance with the SPA. Such receivable is presented in other non-current assets in the Consolidated Balance Sheets. See Note 14 – *Subsequent Event* for further information.

The Company recognized a $0.2 million gain on the sale during the nine months ended February 25, 2023, which was recorded in other income in the Company's Consolidated Statements of Operations.

As of May 28, 2022, assets and liabilities of *taskforce* were classified as held for sale in the Company's Consolidated Balance Sheets. Such assets and liabilities were presented at the lower of carrying value or fair value less any costs to sell. The Company concluded that the agreed-upon transaction price of the business approximated fair value, which exceeded the carrying value of the related assets and liabilities as of May 28, 2022. As such, the assets and liabilities related to the sale were recorded and presented at their carrying value.

The following table presents information related to the major classes of assets and liabilities that were classified as held for sale in the Consolidated Balance Sheets as of May 28, 2022 (in thousands):

Assets & Liabilities Held for Sale ***taskforce* - Management on Demand GmbH**	**As of May 28, 2022**
Cash and cash equivalents	$ 245
Trade accounts receivable, net of allowance for doubtful accounts	4,044
Prepaid expenses and other current assets	262
Income taxes receivable	6
Goodwill	3,886
Intangible assets, net	1,060
Property and equipment, net	204
Operating right-of-use assets	177
Other assets	5
Total assets held for sale	$ 9,889
Accounts payable and accrued expenses	$ 2,316
Accrued salaries and related obligations	325
Operating lease liabilities, current	91
Other liabilities	158
Intercompany balances with other entities	1,441
Operating lease liabilities, noncurrent	88
Total liabilities held for sale	$ 4,419

The Company accrued approximately $0.1 million in disposal costs related to the sale of *taskforce* in the Consolidated Balance Sheets as of May 28, 2022 and recorded an immaterial amount of disposal costs during the nine months ended February 25, 2023. The disposition of *taskforce* did not qualify as a discontinued operation because it did not represent a strategic shift that has or will have a major effect on the Company's operations or financial results.

Other Dispositions

As part of its restructuring effort in Europe which began in fiscal 2021, the Company completed the dissolution of the following three foreign subsidiaries during the nine months ended February 26, 2022: Resources Global Professionals (France) SAS, Resources Global Professionals (Denmark) AS, and Resources Global Professionals (Italy) SRL. The Company recognized a total gain on dissolution of $1.1 million and $1.0 million during the three and nine months ended February 26, 2022, respectively. The net gain on the dissolution was primarily related to the recognition of the accumulated translation adjustment associated with these foreign subsidiaries, which was included in selling, general and administrative expenses in the Company's Consolidated Statements of Operations. None of the markets sold or exited during the nine months ended February 26, 2022 represented a strategic shift of the Company's operations.

5. Goodwill and Intangible Assets

During the third quarter of fiscal 2023, the Company completed a goodwill impairment analysis for Sitrick, a strategic and crisis communications business acquired in 2009. Despite signing numerous new clients over the last two years, restricted travel during the pandemic and forced court shutdowns and delayed legal proceedings both during and in the aftermath of the pandemic adversely impacted Sitrick's business. The Company determined that the carrying value of Sitrick, also a reporting unit, was in excess of its fair value and as such recorded a non-cash impairment charge of $3.0 million during the quarter ended February 25, 2023, reducing the goodwill within the Other Segments to zero as of February 25, 2023. See Note 2 – *Summary of Significant Accounting Policies* for further information.

The Company determined the fair value of Sitrick (within Other Segments) based on an income approach, using the present value of future discounted cash flows. Significant estimates used to determine fair value included the weighted-average cost of capital and financial projections.

The following table summarizes the activity in the Company's goodwill balance (in thousands):

	RGP		Other Segments		Total	
Balance as of May 28, 2022	$	206,830	$	2,955	$	209,785
Goodwill impairment		-		(2,955)		(2,955)
Impact of foreign currency exchange rate changes		(391)		-		(391)
Balance as of February 25, 2023	$	206,439	$	-	$	206,439

The following table presents details of the Company's intangible assets, estimated lives and related accumulated amortization (in thousands):

		As of February 25, 2023						As of May 28, 2022					
	Estimated Useful Life	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
Customer contracts and relationships	3 - 8 years	$	22,000	$	(13,073)	$	8,927	$	22,000	$	(10,889)	$	11,111
Computer software	2 - 3.5 years		7,071		(3,671)		3,400		6,762		(2,149)		4,613
Tradenames	3 - 10 years		-		-		-		3,070		(3,034)		36
Backlog	17 months		-		-		-		1,210		(1,210)		-
Total		$	29,071	$	(16,744)	$	12,327	$	33,042	$	(17,282)	$	15,760

The Company recorded amortization expense of $1.3 million for both the three months ended February 25, 2023 and February 26, 2022, and $3.7 million and $3.6 million for the nine months ended February 25, 2023 and February 26, 2022, respectively.

The following table presents future estimated amortization expense based on existing intangible assets (in thousands):

Fiscal Years:		
2023 (remaining three months)	$	1,275
2024		5,017
2025		3,542
2026		2,238
2027		255
Total	$	12,327

Actual future estimated amortization expense could differ from these estimated amounts as a result of future acquisitions, dispositions, impairments, and other factors or changes.

6. Leases

The Company currently leases office space, vehicles and certain equipment under operating leases through fiscal 2030. In addition, the Company owns its headquarters office building located in Irvine, California and leases approximately 13,000 square feet of the approximately 57,000 square feet of the building to independent third parties pursuant to operating lease agreements with terms through fiscal 2025.

Lease cost components included within selling, general and administrative expenses in the Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended				Nine Months Ended			
	February 25, 2023		February 26, 2022		February 25, 2023		February 26, 2022	
Operating lease cost *(1)*	$	1,891	$	2,185	$	5,364	$	6,672
Short-term lease cost		32		23		64		66
Variable lease cost		336		504		925		1,587
Sublease income *(2)*		(113)		(282)		(402)		(800)
Total lease cost	$	2,146	$	2,430	$	5,951	$	7,525

(1) Operating lease cost for the nine months ended February 25, 2023 includes a $0.4 million reduction resulting from a one-time settlement of a lease liability involving an office space.

(2) Sublease income does not include rental income received from owned property, which is not material.

The weighted-average lease term and weighted-average discount rate for operating leases as of February 25, 2023 and May 28, 2022 are presented in the following table:

	As of February 25, 2023	As of May 28, 2022
Weighted-average remaining lease term	3.6 years	3.3 years
Weighted-average discount rate	3.91%	3.81%

Cash flow and other noncash information related to operating leases is included in the following table (in thousands):

	Three Months Ended		Nine Months Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,269	$ 2,720	$ 7,045	$ 8,501
Right-of-use assets obtained in exchange for new operating lease obligations	$ 217	$ 231	$ 4,206	$ 1,699

Future maturities of operating lease liabilities as of February 25, 2023 are presented in the following table (in thousands):

Fiscal Years:	Operating Lease Maturity
2023 (remaining three months)	$ 2,218
2024	7,788
2025	4,083
2026	2,523
2027	1,662
Thereafter	2,376
Total future lease payments	20,650
Less: interest	(1,397)
Present value of operating lease liabilities	$ 19,253

7. Long-Term Debt

Prior to November 12, 2021, the Company had a $120.0 million secured revolving credit facility (the “Previous Credit Facility”) with Bank of America, pursuant to the terms of the Credit Agreement dated October 17, 2016 between the Company and Resources Connection LLC, as borrowers, and Bank of America, N.A. as lender (as amended, the “Previous Credit Agreement”). The Previous Credit Agreement was set to mature on October 17, 2022.

On November 12, 2021, the Company and Resources Connection LLC, as borrowers, and all of the Company’s domestic subsidiaries, as guarantors, entered into a new credit agreement with the lenders that are party thereto and Bank of America, N.A. as administrative agent for the lenders (the “New Credit Agreement”), and concurrently terminated the Previous Credit Facility. The New Credit Agreement provides for a $175.0 million senior secured revolving loan (the “New Credit Facility”), which includes a $10.0 million sublimit for the issuance of standby letters of credit and a swingline sublimit of $20.0 million. The New Credit Facility also includes an option to increase the amount of the revolving loan up to an additional $75.0 million, subject to the terms of the New Credit Agreement. The New Credit Facility matures on November 12, 2026. The obligations under the New Credit Facility are secured by substantially all assets of the Company, Resources Connection LLC and all of the Company’s domestic subsidiaries.

Borrowings under the New Credit Facility bear interest at a rate per annum of either, at the Company’s election, (i) Term SOFR (as defined in the New Credit Agreement) plus a margin ranging from 1.25% to 2.00% or (ii) the Base Rate (as defined in the New Credit Agreement), plus a margin of 0.25% to 1.00% with the applicable margin depending on the Company’s consolidated leverage ratio, which resulted in an interest rate of 0% as of February 25, 2023 (due to no borrowings) and 2.15% as of May 28, 2022. The Company pays an unused commitment fee on the average daily unused portion of the New Credit Facility, which ranges from 0.20% to 0.30% depending on the Company’s consolidated leverage ratio.

The New Credit Agreement contains both affirmative and negative covenants. Covenants include, but are not limited to, limitations on the Company's and its subsidiaries' ability to incur liens, incur additional indebtedness, make certain restricted payments, merge or consolidate and make dispositions of assets. In addition, the New Credit Agreement requires the Company to comply with financial covenants including limitation on the Company's total funded debt, minimum interest coverage ratio and maximum leverage ratio. The Company was compliant with all financial covenants under the New Credit Agreement as of February 25, 2023.

The Company had no borrowings as of February 25, 2023 and borrowed $54.0 million as of May 28, 2022 under the New Credit Facility. In addition, the Company had $0.8 million and $1.2 million of outstanding letters of credit issued as of February 25, 2023 and May 28, 2022, respectively, in each case under the New Credit Facility. As of February 25, 2023, there was $174.2 million remaining capacity under the New Credit Facility.

On November 2, 2022, Resources Global Enterprise Consulting (Beijing) Co., Ltd. (a wholly-owned subsidiary of the Company), as borrower, and the Company, as guarantor, entered into a RMB 13.4 million (USD $1.8 million based on the prevailing exchange rate on November 2, 2022) revolving credit facility with Bank of America, N.A. (Beijing) as the lender (the "Beijing Revolver"). The Beijing Revolver bears interest at loan prime rate plus 0.80%. Interest incurred on borrowings will be payable monthly in arrears. As of February 25, 2023, the Company had no borrowings outstanding under the Beijing Revolver and RMB 13.4 million ($1.9 million based on the prevailing exchange rate on February 25, 2023) in availability under the Beijing Revolver. The availability of proceeds under the Beijing Revolver is at the lender's absolute discretion and may be terminated at any time by the lender, with or without prior notice to the borrower.

8. Income Taxes

For the three months ended February 25, 2023 and February 26, 2022, the Company's income tax benefit was nearly zero, an effective tax benefit rate of less than 0.1%, and $2.2 million, an effective tax benefit rate of 12.7%, respectively. For the nine months ended February 25, 2023 and February 26, 2022, the Company's income tax expense was $12.9 million, an effective tax rate of 23.2%, and $8.6 million, an effective tax rate of 15.5%, respectively. The effective tax rate for the third quarter of fiscal 2022 was attributed largely to a non-recurring tax benefit of $2.6 million from the dissolution of the Company's French entity and a tax benefit of $4.9 million from the release of a valuation allowance in a specific European entity. The effective tax rate for the third quarter of fiscal 2023 was attributed largely to a tax benefit of $1.9 million from the release of a valuation allowance in two European entities.

The Company operates in an international environment. Accordingly, the consolidated effective tax rate is a composite rate reflecting the earnings (losses) in various locations and the applicable tax rates in those jurisdictions, and fluctuations in the consolidated effective tax rate year over year, are due to the changes in the mix of operating income and losses amongst the various jurisdictions in which the Company operates. Given the current earnings and anticipated future earnings of some of the Company's foreign locations, the Company believes there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to allow it to reach a conclusion that the valuation allowance on the deferred tax assets of certain foreign entities will no longer be needed. Releasing the valuation allowance would result in the recognition of previously unrecognized deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change depending on the level of profitability that the Company is able to actually achieve.

For the three months ended February 25, 2023 and February 26, 2022, the Company recognized a tax benefit of approximately $0.2 million and $0.5 million, respectively, associated with the exercise of nonqualified stock options, vesting of restricted stock or restricted stock unit awards, and disqualifying dispositions by employees of shares acquired under the Employee Stock Purchase Plan ("ESPP"). For the nine months ended February 25, 2023 and February 26, 2022, the Company recognized a tax benefit of approximately $2.0 million and $1.3 million, respectively, associated with the exercise of nonqualified stock options, vesting of restricted stock awards, restricted stock units, and disqualifying dispositions by employees of shares acquired under the ESPP.

The Company's total liability for unrecognized gross tax benefits, including accrued interest and penalties, was $0.9 million as of both February 25, 2023 and May 28, 2022, which, if ultimately recognized, any differences in assessment or non-assessment would impact the effective tax rate in future periods. The unrecognized tax benefits are included in other long-term liabilities in the Consolidated Balance Sheets. None of the unrecognized tax benefits are short-term liabilities as the Company does not anticipate any cash payments within 12 months to settle the liability.

In April 2022, the Company filed for a U.S. federal income tax refund in the amount of $34.8 million related to the carry back of the fiscal year 2021 net operating loss to fiscal years 2016 to 2018 and refund of alternative minimum tax ("AMT") credits for fiscal years 2019 and 2020. As of February 25, 2023, the Company has received a refund of $35.5 million (including interest income of $0.7 million). The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law by the U.S. government. The IRA includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. The Company is evaluating the provisions included under the IRA and does not expect the provisions to have a material impact to the Company's consolidated financial statements.

9. Stockholders' Equity

Stock Repurchase Program

The Company's board of directors has previously approved a stock repurchase program authorizing the repurchase, at the discretion of the Company's senior executives, of the Company's common stock for a designated aggregate dollar limit. The current program was authorized in July 2015 (the "July 2015 Program") and set an aggregate dollar limit not to exceed $150 million. Subject to the aggregate dollar limit, the currently authorized stock repurchase program does not have an expiration date. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan. During the three months ended February 25, 2023, the Company purchased 300,000 shares of its common stock on the open market at an average price of $17.19 per share, for an aggregate total purchase price of approximately $5.2 million. During the nine months ended February 25, 2023, the Company purchased 618,438 shares of its common stock on the open market at an average price of $16.99 per share, for an aggregate total purchase price of approximately $10.5 million. As of February 25, 2023, approximately $54.9 million remained available for future repurchases of the Company's common stock under the July 2015 Program.

On December 8, 2021, the Company repurchased 1,155,236 shares of the Company's common stock in a privately negotiated transaction with Dublin Acquisition, LLC (the "Seller") pursuant to the terms of a Stock Purchase Agreement, dated December 3, 2021, entered into between the Company and the Seller (the "Stock Purchase Agreement"). The Stock Purchase Agreement provided that the purchase price per share was $17.01, equal to the lower of (i) the 10-day volume-weighted average price for the period ending on Friday December 3, 2021 or (ii) the closing price on December 3, 2021. The purchased shares had previously been issued to the Seller in connection with the Company's acquisition of Accretive Solutions, Inc. in November 2017.

Quarterly Dividend

Subject to approval each quarter by its board of directors, the Company pays a regular dividend. On January 19, 2023, the board of directors declared a regular quarterly dividend of $0.14 per share of the Company's common stock. The dividend was paid on March 16, 2023 to stockholders of record at the close of business on February 16, 2023. As of February 25, 2023 and May 28, 2022, $4.7 million and $4.6 million, respectively, were accrued and recorded in other current liabilities in the Company's Consolidated Balance Sheets for dividends declared but not yet paid. We pay dividend equivalents on outstanding restricted stock units and performance stock units. Dividend equivalents are accrued and paid upon vesting of restricted stock units and earned performance stock units. Continuation of the quarterly dividend is at the discretion of the board of directors and depends upon the Company's financial condition, results of operations, capital requirements, general business condition, contractual restrictions contained in the New Credit Facility and other agreements, and other factors deemed relevant by the board of directors.

Retirement of Treasury Shares

On November 8, 2021, the Company retired 31.7 million shares of its common stock held in treasury. The shares were returned to the status of authorized but unissued shares. As a result, the treasury stock balance decreased by approximately $520.7 million. In connection with the retirement, the Company reduced its common stock, additional paid-in capital, and retained earnings balances by $0.3 million, $157.6 million, and $362.7 million, respectively. Refer to Note 2 — *Summary of Significant Accounting Policies* for the Company's accounting policy for the retirement of treasury shares.

10. Restructuring Activities

During calendar year 2020, the Company initiated a global restructuring and business transformation plan in North America, Asia Pacific and Europe (the "Restructuring Plans"). The Restructuring Plans consisted of two key components: (i) an effort to streamline the management and organizational structure and eliminate certain positions as well as exit certain markets to focus on core solution offerings and high-growth clients; and (ii) a strategic rationalization of the Company's physical geographic footprint and real estate spend to focus investment dollars in high-growth core markets for greater impact. The Company incurred employee termination and facility exit costs associated with the Company's restructuring initiatives within its RGP segment, which were recorded in selling, general and administrative expenses in its Consolidated Statements of Operations. The Restructuring Plans were substantially completed in fiscal 2021. Restructuring costs were insignificant for both the three months ended February 25, 2023 and February 26, 2022. Restructuring costs, including real estate exit costs and adjustments to employee termination costs, associated with the restructuring activities were ($0.4) million and $0.8 million for the nine months ended February 25, 2023 and February 26, 2022, respectively. Restructuring liability recorded in accounts payable and accrued expenses in the Consolidated Balance Sheet was zero and $0.4 million as of February 25, 2023 and May 28, 2022, respectively.

11. Stock-Based Compensation Plans

General

The Company's stockholders approved the Resources Connection, Inc. 2020 Performance Incentive Plan (the "2020 Plan") on October 22, 2020, which replaced and succeeded in its entirety the Resources Connection, Inc. 2014 Performance Incentive Plan (the "2014 Plan"). Executive officers and certain employees, as well as non-employee directors of the Company and certain consultants and advisors are eligible to participate in the 2020 Plan. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2020 Plan equals: (1) 1,797,440 (which represents the number of shares that were available for additional award grant purposes under the 2014 Plan immediately prior to the termination of the authority to grant new awards under the 2014 Plan as of October 22, 2020), plus (2) the number of any shares subject to stock options granted under the 2014 Plan or the Resources Connection, Inc. 2004 Performance Incentive Plan (together with the 2014 Plan, the "Prior Plans") and outstanding as of October 22, 2020 which expire, or for any reason are cancelled or terminated, after that date without being exercised, plus (3) the number of any shares subject to restricted stock and restricted stock unit awards granted under the Prior Plans that are outstanding and unvested as of October 22, 2020 which are forfeited, terminated, cancelled, or otherwise reacquired after that date without having become vested.

Awards under the 2020 Plan may include, but are not limited to, stock options, stock appreciation rights, restricted stock, performance stock, stock units, stock bonuses and other forms of awards granted or denominated in shares of common stock or units of common stock, as well as certain cash bonus awards. Historically, the Company has granted restricted stock, restricted stock units and stock option awards under the 2020 Plan that typically vest in equal annual installments, and performance stock unit awards under the 2020 Plan that vest upon the achievement of certain Company-wide performance targets at the end of the defined performance period. Stock option grants typically terminate ten years from the date of grant. Vesting periods for restricted stock, restricted stock units and stock option awards range from three to four years. The performance period for the performance stock unit awards is three years. As of February 25, 2023, there were 1,219,929 shares available for further award grants under the 2020 Plan.

Stock-Based Compensation Expense

The Company recognizes stock-based compensation expense on time-vesting equity awards ratably over the applicable vesting period based on the grant date fair value, net of estimated forfeitures. Expense related to the liability-classified awards reflects the change in fair value during the reporting period. The number of performance stock units earned at the end of the performance period may equal, exceed or be less than the targeted number of shares depending on whether the performance criteria are met, surpassed or not met. During each reporting period, the Company uses the latest forecasted results to estimate the number of shares expected to be issued at the end of the performance period. Any resulting changes to stock compensation expense are adjusted in the period in which the change in estimates occur.

Stock-based compensation expense included in selling, general and administrative expenses was $2.6 million and $2.2 million for the three months ended February 25, 2023 and February 26, 2022, respectively, and $7.4 million and $5.9 million for the nine months ended February 25, 2023 and February 26, 2022, respectively. These amounts consisted of stock-based compensation expense related to employee stock options, restricted stock awards, restricted stock unit awards and performance stock unit awards under the 2020 Plan and Prior Plans, employee stock purchases made via the ESPP, and stock units credited under the Directors Deferred Compensation Plan. The Company recognized a tax benefit of approximately $0.5 million associated with such stock-based compensation expense during each of the three months ended February 25, 2023 and February 26, 2022, and $1.5 million and $1.3 million during the nine months ended February 25, 2023 and February 26, 2022, respectively.

Stock Options

The following table summarizes the stock option activity for the nine months ended February 25, 2023 (in thousands, except weighted-average exercise price):

	Number of Options	Weighted-Average Exercise Price
Outstanding at May 28, 2022	3,350	$ 16.08
Exercised	(477)	15.48
Forfeited	(28)	17.42
Expired	(36)	16.05
Outstanding at February 25, 2023	2,809	$ 16.18
Exercisable at February 25, 2023	2,590	$ 16.07
Vested and expected to vest at February 25, 2023 *(1)*	2,797	$ 16.17

(1) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to options not yet vested of 218,745 as of February 25, 2023.

As of February 25, 2023, there was $0.5 million of total unrecognized compensation cost related to unvested and outstanding employee stock options. The cost is expected to be recognized over a weighted-average period of 0.58 years.

Employee Stock Purchase Plan

On October 20, 2022, the Company's stockholders approved an amendment to the ESPP that increased the number of shares authorized for issuance under the ESPP by 1,500,000, resulting in a maximum number of shares of the Company's common stock authorized for issuance under the ESPP of 3,325,000.

The Company's ESPP allows qualified employees (as defined in the ESPP) to purchase designated shares of the Company's common stock at a price equal to 85% of the lesser of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The Company issued approximately 393,060 and 463,000 shares of common stock pursuant to the ESPP during the nine months ended February 25, 2023 and February 26, 2022, respectively. There were 1,778,924 shares of common stock available for issuance under the ESPP as of February 25, 2023.

Restricted Stock Awards ("RSAs")

The following table summarizes the activities for the unvested RSAs for the nine months ended February 25, 2023 (in thousands, except weighted-average grant-date fair value):

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at May 28, 2022	183	$ 15.88
Granted	97	18.31
Vested	(71)	15.37
Forfeited	-	-
Unvested as of February 25, 2023	209	$ 17.19
Expected to vest as of February 25, 2023	182	$ 17.13

As of February 25, 2023, there was $2.7 million of total unrecognized compensation cost related to unvested RSAs. The cost is expected to be recognized over a weighted-average period of 1.61 years.

Restricted Stock Units ("RSUs")

The Company may issue either equity-classified RSUs, which are awards granted to employees under the 2020 Plan that settle in shares of the Company's common stock, or liability-classified RSUs, which are awards credited to board of director members under the Directors Deferred Compensation Plan that settle in cash.

The following table summarizes the activities for the unvested RSUs, including both equity- and liability-classified RSUs, for the nine months ended February 25, 2023 (in thousands, except weighted-average grant-date fair value):

	Equity-Classified RSUs		Liability-Classified RSUs		Total RSUs	
	Shares	**Weighted-Average Grant-Date Fair Value**	**Shares**	**Weighted-Average Grant-Date Fair Value**	**Shares**	**Weighted-Average Grant-Date Fair Value**
Outstanding at May 28, 2022	579	$ 14.03	66	$ 14.89	645	$ 14.12
Granted *(1)*	244	18.24	25	18.60	269	18.27
Vested	(175)	13.63	(31)	15.35	(206)	13.89
Forfeited	(17)	12.96	-	-	(17)	12.96
Unvested as of February 25, 2023	631	$ 15.77	60	$ 16.55	691	$ 15.84
Expected to vest as of February 25, 2023	567	$ 15.70	60	$ 16.55	627	$ 15.78

(1) The dividend equivalents are included in the granted shares.

As of February 25, 2023, there was $7.6 million of total unrecognized compensation cost related to unvested equity-classified RSUs. The cost is expected to be recognized over a weighted-average period of 1.85 years.

As of February 25, 2023, there was $0.9 million of total unrecognized compensation cost related to unvested liability-classified RSUs. The cost is expected to be recognized over a weighted-average period of 1.90 years.

Performance Stock Units ("PSUs")

During the nine months ended February 25, 2023 and February 26, 2022, the Company issued PSUs to certain members of management and other select employees. The total number of shares that would vest under the PSUs will be determined at the end of the respective three-year performance period based on the Company's achievement of certain revenue and Adjusted EBITDA (as defined below in Note 13 – *Segment Information and Enterprise Reporting*) percentage targets over the performance period.

The following table summarizes the activities for the unvested PSUs for the nine months ended February 25, 2023 (in thousands, except weighted-average grant-date fair value):

	Shares *(1)*	**Weighted-Average Grant-Date Fair Value**
Outstanding at May 28, 2022	196	$ 18.41
Granted *(2)*	240	18.24
Vested	-	-
Forfeited	(4)	18.44
Unvested as of February 25, 2023	432	$ 18.32
Expected to vest as of February 25, 2023	386	$ 18.32

(1) Shares are presented in this table at the stated target, which represents the base number of shares that would vest over the respective performance period. Actual shares that vest may be zero to 150% of the target based on the achievement of the specific company-wide performance targets.

(2) The dividend equivalents are included in the granted shares.

As of February 25, 2023, there was $5.5 million of total unrecognized compensation cost related to unvested PSUs. The cost is expected to be recognized over a weighted-average period of 1.86 years.

12. Commitments and Contingencies

Legal Proceedings

The Company is involved in certain legal matters arising in the ordinary course of business. In the opinion of management, none of such matters, if disposed of unfavorably, would have a material adverse effect on the Company's financial position, cash flows or results of operations.

13. Segment Information and Enterprise Reporting

The tables below reflect the operating results of the Company's segments consistent with the management and performance measurement system utilized by the Company. Upon completing the sale of the *taskforce* operating segment, effective May 31, 2022, the Company's operating segments consist of RGP and Sitrick. Prior-period comparative segment information was not restated. See Note 2 – *Summary of Significant Accounting Policies* for further discussion about the Company's operating and reportable segments.

Performance measurement is based on segment Adjusted EBITDA, a non-GAAP measure. Adjusted EBITDA is defined as net income before amortization expense, depreciation expense, interest and income taxes plus or minus stock-based compensation expense, technology transformation costs, goodwill impairment, restructuring costs, and contingent consideration adjustments. Adjusted EBITDA at the segment level excludes certain shared corporate administrative costs that are not practical to allocate. The Company's CODM does not evaluate segments using asset information.

The following table discloses the Company's revenue and Adjusted EBITDA by segment for all periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
	(Unaudited)		(Unaudited)	
Revenue:				
RGP	$ 184,270	$ 195,251	$ 582,849	$ 557,584
Other Segments *(1)*	2,507	9,358	8,345	30,403
Total revenue	$ 186,777	$ 204,609	$ 591,194	$ 587,987
Adjusted EBITDA:				
RGP	$ 25,320	$ 30,656	$ 101,331	$ 91,833
Other Segments *(1)*	113	579	761	2,817
Reconciling items *(2)*	(8,817)	(8,766)	(25,135)	(24,881)
Total Adjusted EBITDA *(3)*	$ 16,616	$ 22,469	$ 76,957	$ 69,769

(1) Amounts reported in Other Segments for the three and nine months ended February 25, 2023 include Sitrick, and, for the nine months ended February 25, 2023, an immaterial amount from taskforce from May 29, 2022 through May 31, 2022, the completion date of the sale. Amounts previously reported for the three and nine months ended February 26, 2022 included the Sitrick and taskforce operating segments.

(2) Reconciling items are generally comprised of unallocated corporate administrative costs, including management and board compensation, corporate support function costs and other general corporate costs that are not allocated to segments.

(3) A reconciliation of the Company's net income to Adjusted EBITDA on a consolidated basis is presented below.

The table below represents a reconciliation of the Company's net income to Adjusted EBITDA for all periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	February 25, 2023	February 26, 2022	February 25, 2023	February 26, 2022
	(Unaudited)		(Unaudited)	
Net income	$ 7,019	$ 19,421	$ 42,591	$ 46,648
Adjustments:				
Amortization expense	1,275	1,321	3,743	3,608
Depreciation expense	885	882	2,652	2,694
Interest expense, net	147	307	662	744
Income tax (benefit) expense	(2)	(2,192)	12,867	8,561
EBITDA	9,324	19,739	62,515	62,255
Stock-based compensation expense	2,609	2,202	7,375	5,851
Technology transformation costs *(1)*	1,737	461	4,476	690
Goodwill impairment *(2)*	2,955	-	2,955	-
Restructuring costs *(3)*	(9)	67	(364)	807
Contingent consideration adjustment	-	-	-	166
Adjusted EBITDA	$ 16,616	$ 22,469	$ 76,957	$ 69,769

(1) Technology transformation costs represent costs included in net income related to the Company's initiative to upgrade its technology platform globally, including a cloud-based enterprise resource planning system and talent acquisition and management system. Such costs primarily include software licensing costs, third-party consulting fees and costs associated with dedicated internal resources that are not capitalized.

(2) Goodwill impairment charge recognized during the three and nine months ended February 25, 2023 was related to the Sitrick operating segment.

(3) The Company substantially completed the Restructuring Plans in fiscal 2021. Substantially all the remaining accrued restructuring liability on the books related to employee termination costs was either paid or released as of February 25, 2023.

14. Subsequent Event

Collection on taskforce's note receivable

On March 3, 2023, the Company received EUR 2.4 million (approximately $2.5 million) of repayment on the note receivable from the Purchasers of *taskforce*. See Note 4 – *Dispositions*. Including accrued interest, the remaining balance of the note receivable was EUR 0.6 million (approximately $0.6 million).

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

The following discussion and analysis of our financial condition, results of operations, and liquidity and capital resources for the three and nine months ended February 25, 2023 should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes and with our Annual Report on Form 10-K for the year ended May 28, 2022 filed with the Securities and Exchange Commission ("SEC"). This discussion and analysis contains "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 (the "Exchange Act"). These statements relate to expectations concerning matters that are not historical facts. For example, statements discussing, among other things, expected costs and liabilities, business strategies, growth strategies and initiatives, acquisition strategies, future revenues and future performance, are forward-looking statements. 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 Quarterly Report on Form 10-Q, such statements include statements regarding our growth, operational and strategic plans.

These statements and all phases of our 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, but are not limited to, the following: risks related to an economic downturn or deterioration of general macroeconomic conditions (including recessionary pressures, decreases in consumer spending power or confidence and significant uncertainty in the global economy and capital markets resulting from rising inflation, volatility in energy and commodity prices, the impact of the Russia-Ukraine war, increasing diplomatic and trade friction between the U.S. and China, and related supply chain issues), risks arising from epidemic diseases or pandemics, potential adverse effects to our and our clients' liquidity and financial performances from bank failures or other events affecting financial institutions, the highly competitive nature of the market for professional services, risks related to the loss of a significant number of our consultants, or an inability to attract and retain new consultants, the possible impact on our business from the loss of the services of one or more key members of our senior management, risks related to potential significant increases in wages or payroll-related costs, our ability to secure new projects from clients, our ability to achieve or maintain a suitable pay/bill ratio, our ability to compete effectively in the competitive bidding process, risks related to unfavorable provisions in our contracts which may permit our clients to, among other things, terminate the contracts partially or completely at any time prior to completion, our ability to realize the level of benefit that we expect from our restructuring initiatives, risks that our recent digital expansion and technology transformation efforts may not be successful, our ability to build an efficient support structure as our business continues to grow and transform, our ability to grow our business, manage our growth or sustain our current business, our ability to serve clients internationally, additional operational challenges from our international activities including due to social, political, regulatory, legal and economic risks in the countries and regions in which we operate, possible disruption of our business from our past and future acquisitions, the possibility that our recent rebranding efforts may not be successful, our potential inability to adequately protect our intellectual property rights, risks that our computer hardware and software and telecommunications systems are damaged, breached or interrupted, risks related to the failure to comply with data privacy laws and regulations and the adverse effect it may have on our reputation, results of operations or financial condition, our ability to comply with governmental, regulatory and legal requirements and company policies, the possible legal liability for damages resulting from the performance of projects by our consultants or for our clients' mistreatment of our personnel, risks arising from changes in applicable tax laws or adverse results in tax audits or interpretations, the possible adverse effect on our business model from the reclassification of our independent contractors by foreign tax and regulatory authorities, the possible difficulty for a third party to acquire us and resulting depression of our stock price, the operating and financial restrictions from our credit facility, risks related to the variable rate of interest in our credit facility, the possibility that we are unable to or elect not to pay our quarterly dividend payment, and other factors and uncertainties as are identified in our most recent Annual Report on Form 10-K for the year ended May 28, 2022 and our other public filings made with the SEC (File No. 0-32113). 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 the forward-looking statements included herein, which speak only as of the date of this filing. We do not intend, and undertake no obligation, to update the forward-looking statements in this filing to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events, unless required by law to do so. References in this filing to "Resources Global Professionals," the "Company," "we," "us," and "our" refer to Resources Connection, Inc. and its subsidiaries.

Overview

Resources Global Professionals ("RGP") is a global consulting firm focused on project execution services that power clients' operational needs and change initiatives utilizing on-demand, experienced and diverse talent. As a next-generation human capital partner for our clients, we specialize in co-delivery of enterprise initiatives typically precipitated by business transformation, strategic transactions or regulatory change. 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.

A disruptor within the professional services industry since our founding in 1996, today the Company embraces its differentiated agile delivery model. The trends in today's marketplace favor the flexibility and agility that RGP provides as businesses confront transformation pressures and speed-to-market challenges. While these forces were already at play in 2019, the COVID-19 pandemic (the "Pandemic") has served to significantly transform the modern workplace in ways that offer us a clear competitive advantage. As talent preferences have shifted dramatically in the direction of flexibility, choice and control, employers struggling to compete in today's environment must rethink the way work gets done and consider implementing new, more agile workforce strategies.

We expect to continue to evolve our client engagement and talent delivery model to take advantage of these dramatic and important shifts in the direction of flexibility, control and choice. Our unique approach to workforce strategy strongly positions us to help our clients transform their businesses and workplaces, especially at a time when high-quality talent is increasingly scarce and the usage of a flexible workforce to execute transformational projects has become the dominant operating model. We believe that we are continuing to lay a solid foundation for the future.

Based in Irvine, California, with offices worldwide, our agile human capital model attracts top-caliber professionals with in-demand skillsets who seek a workplace environment that embraces flexibility, collaboration and human connection. Our agile professional services model allows us to quickly align the right resources for the work at hand with speed and efficiency in ways that bring value to both our clients and talent. See Part 1, Item 1 "Business" of our Fiscal Year 2022 Form 10-K for further discussions about our business and operations.

Fiscal 2023 Strategic Focus Areas

Our enterprise growth drivers and strategic focus areas in fiscal 2023 include:

- Transform digitally;
- Amplify brand voice and optimize solution offerings;
- Deepen client centricity;
- Enhance pricing; and
- Pursue targeted mergers and acquisitions.

Transform digitally – Our first objective is to improve operational efficiency, scale business growth, transform stakeholder experience and create long-term sustainability and stockholder value through digital means.

We believe the use of technology platforms to match clients and talent is the future of professional staffing. HUGO by RGP™ ("HUGO"), our digital engagement platform, allows such an experience for clients and talent in the professional staffing space to connect, engage and even transact directly. We piloted the platform in three primary markets – New York/New Jersey, Southern California and Texas, and have continued to enhance its functionality with further artificial intelligence and machine learning. We have also been developing sales and marketing strategies to increase client and talent adoption of the platform. We plan to expand the geographic reach to other key markets within the United States ("U.S."). Over time, we expect to be able to drive volume through the HUGO platform by attracting more small- and medium-sized businesses looking for interim support and by serving a larger percentage of our current professional staffing business, which we believe will not only drive top-line growth but also enhance profitability.

We continue to execute on the multi-year project to modernize and elevate our technology infrastructure globally, including a cloud-based enterprise resource planning system and talent acquisition and management system. We believe our investment in these technology transformation initiatives will accelerate our efficiency and data-led decision-making capabilities, optimize process flow and automation, improve consultant recruitment and retention, drive business growth with operational agility, scale our operations and further support our growth, goals and vision.

As our clients continue to accelerate their digital and workforce paradigm transformations, the need for automation and self-service has been an increasing trend, especially in light of the continuing impact of the trends started by the Pandemic. We have been focused on expanding our digital consulting capabilities and their geographic reach to drive growth in the business by capturing the market demand and opportunities.

Amplify brand voice and optimize solution offerings – Our second focus area for this fiscal year is to bring clarity and attention to our brand positioning to own the opportunity around project execution. RGP has always focused our business on project execution, which is a distinct space on the continuum between strategy consulting and interim deployment. Our business model of utilizing experienced talent to flatten the traditional consulting delivery pyramid is highly sought after in today's market. Most clients are capable of formulating business strategy organically or with the help of a strategy firm; where they need help is in the ownership of executing the strategy.

In fiscal 2022, we introduced our new tagline — *Dare to Work Differently.* ™ — to clarify our brand voice to align with hybrid workforce strategy and where our clients need us most: execution with subject matter expertise. We implemented further clarification and activation of our new brand positioning in the first nine months of fiscal 2023. Our co-delivery ethos is focused around partnering with clients on project execution. Our brand marketing will continue to emphasize and accentuate our unique qualifications in this arena. We believe clear articulation and successful marketing of our distinctive market position is key to attracting and retaining both clients and talent, enabling us to drive continued growth.

Key focus areas supporting this initiative include: refining and finalizing our proposed solution architecture that clearly defines RGP's core service offerings and streamlines the sales process; validating the proposed messaging and architecture via roundtables with internal and external stakeholders; and launching the new brand positioning and messaging through dynamic assets such as advertising campaigns, videos and events.

Deepen client centricity – The third area of focus for fiscal 2023 is to continue to deepen and broaden our trusted client relationships through expanded marquee account and key industry vertical programs to increase our focus on account penetration. We maintain our Strategic Client Account program to serve a number of our largest clients with dedicated global account teams. During fiscal 2023, we have expanded the Strategic Client Account and industry programs by adding clients and taking a more client-centric and borderless approach to serving these clients. We believe this focus has and will continue to enhance our opportunities to develop in-depth knowledge of these clients' needs and the ability to increase the scope and size of projects with those clients.

In addition, we formed a new Emerging Accounts program, which consists of smaller clients where demand tends to be more episodic. Our newly formed dedicated account team have been able to serve this segment of clients with more focus and attention while nurturing and growing the depth of our relationships. Our services continue to emphasize a relationship-oriented approach to business rather than a transaction-oriented or assignment-oriented approach. Client relationships and needs are addressed from a client-centric, not geographic, perspective so that our experienced management team and consultants understand our clients' business issues and help them define their project needs to deliver an integrated, relationship-based approach to meeting the clients' objectives. We believe that by continuing to deliver high-quality services and by deepening our relationships with our clients, we can capture a significantly larger share of our clients' professional services budgets.

Enhance pricing – Fourth, we have made solid progress in evolving and enhancing our pricing strategy to ensure we adopt a value-based approach for our project execution services, which has become increasingly more relevant and in demand in the current macro environment. As we deepen our client relationships and raise our clients' perception of our ability to add value through our services, we anticipate further increasing bill rates for our services to appropriately capture the value of the talent and solutions delivered. Key focus areas include: creating more centralized pricing governance, strategy and approach; conducting a deep pricing analysis to identify and develop areas that need improvement; and instituting new pricing training for all sales, talent and other go-to-market team members. Through these actions, we have been able to achieve higher bill rates across a majority of the markets in the current fiscal year to drive topline revenue and profitability.

Pursue targeted mergers and acquisitions – Lastly, we will seek to accelerate growth through strategic mergers and acquisitions that drive additional scale or expand and complement our existing core capabilities. Following the successful acquisition and integration of Veracity Consulting Group, LLC ("Veracity"), which accelerated our digital capabilities and our ability to offer comprehensive digital innovation services, we have been actively building a pipeline of acquisition opportunities to add scale to Veracity or augment and expand the breadth and depth of our digital transformation capabilities. In addition to digital, we have also been pursuing other consulting capabilities that would drive and foster growth opportunity for our core business.

Market Trends and Uncertainties

On a macro level, uncertain macroeconomic conditions (including bank failures and other events affecting financial institutions, rising inflation, volatility in energy and commodity prices, the impact of the Russia-Ukraine war, increasing diplomatic and trade friction between the U.S. and China, supply chain issues and labor shortages) as well as increases in interest rates and fluctuations in currency exchange rates have created significant uncertainty in the global economy, volatility in the capital markets and recessionary pressures. We expect these conditions will continue in the remainder of fiscal 2023 and beyond. While we are not able to fully predict the potential impact, we are seeing more caution in spending within our client base. If these conditions persist and a prolonged economic downturn or recession develops, it could result in a further decline in billable hours and a negative impact on our bill rates that would adversely affect our financial results and operating cash flows.

Critical Accounting Policies and Estimates

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are discussed in Note 2 – *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in our Fiscal Year 2022 Form 10-K, and in Note 2 – *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

There have been no material changes in our critical accounting policies, or in the estimates and assumptions underlying those policies, from those described under the heading "Critical Accounting Policies and Estimates" in Item 7 of Part II of our Fiscal Year 2022 Form 10-K.

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures to assess our financial and operating performance that are not defined by or calculated in accordance with GAAP. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the Consolidated Statements of Operations; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable GAAP measure so calculated and presented.

Our primary non-GAAP financial measures are listed below and reflect how we evaluate our operating results.

Same-day constant currency revenue is adjusted for the following items:

- Currency impact. In order to remove the impact of fluctuations in foreign currency exchange rates, we calculate same-day constant currency revenue, which represents the outcome that would have resulted had exchange rates in the current period been the same as those in effect in the comparable prior period.
- Business days impact. In order to remove the fluctuations caused by comparable periods having a different number of business days, we calculate same-day revenue as current period revenue (adjusted for currency impact) divided by the number of business days in the current period, multiplied by the number of business days in the comparable prior period. The number of business days in each respective period is provided in the "Number of Business Days" section in the table below.

EBITDA is calculated as net income before amortization expense, depreciation expense, interest and income taxes.

Adjusted EBITDA is calculated as EBITDA plus or minus stock-based compensation expense, technology transformation costs, goodwill impairment, restructuring costs, and contingent consideration adjustments. Adjusted EBITDA at the segment level excludes certain shared corporate administrative costs that are not practical to allocate.

Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenue.

Same-Day Constant Currency Revenue

Same-day constant currency revenue assists management in evaluating revenue trends on a more comparable and consistent basis. We believe this measure also provides more clarity to our investors in evaluating our core operating performance and facilitates a comparison of such performance from period to period. The following table presents a reconciliation of same-day constant currency revenue, a non-GAAP financial measure, to revenue as reported in the Consolidated Statements of Operations, the most directly comparable GAAP financial measure, by geography (in thousands, except number of business days).

	Three Months Ended		Nine Months Ended	
Revenue by Geography	**February 25, 2023**	**February 26, 2022**	**February 25, 2023**	**February 26, 2022**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
North America				
As reported (GAAP)	$ 163,790	$ 173,569	$ 519,994	$ 492,602
Currency impact	(196)		(171)	
Business days impact	-		-	
Same-day constant currency revenue	$ 163,594		$ 519,823	
Europe				
As reported (GAAP) *(1)*	$ 10,176	$ 17,856	$ 31,752	$ 56,642
Currency impact	824		4,198	
Business days impact	642		736	
Same-day constant currency revenue	$ 11,642		$ 36,686	
Asia Pacific				
As reported (GAAP)	$ 12,811	$ 13,184	$ 39,448	$ 38,743
Currency impact	1,230		4,704	
Business days impact	433		471	
Same-day constant currency revenue	$ 14,474		$ 44,623	
Total Consolidated				
As reported (GAAP) *(1)*	$ 186,777	$ 204,609	$ 591,194	$ 587,987
Currency impact	1,858		8,731	
Business days impact	1,075		1,207	
Same-day constant currency revenue	$ 189,710		$ 601,132	
Number of Business Days				
North America *(2)*	61	61	186	186
Europe *(3)*	59	63	187	192
Asia Pacific *(3)*	59	62	183	186

(1) Total Consolidated revenue and Europe revenue as reported under GAAP include taskforce revenue of zero and $6.7 million for the three months ended February 25, 2023 and February 26, 2022, respectively, and $0.2 million and $19.9 million for the nine months ended February 25, 2023 and February 26, 2022, respectively.

(2) This represents the number of business days in the U.S.

(3) The business days in international regions represents the weighted average number of business days.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin assist management in assessing our core operating performance. We also believe these measures provide investors with a useful perspective on underlying business results and trends and facilitate a comparison of our performance from period to period. The following table presents EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated and includes a reconciliation of such measures to net income and net income margin, the most directly comparable GAAP financial measures (in thousands, except percentages):

	Three Months Ended				Nine Months Ended			
	February 25, 2023	**% of Revenue**	**February 26, 2022**	**% of Revenue**	**February 25, 2023**	**% of Revenue**	**February 26, 2022**	**% of Revenue**
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Net income	$ 7,019	3.8 %	$ 19,421	9.5 %	$ 42,591	7.2 %	$ 46,648	7.9 %
Adjustments:								
Amortization expense	1,275	0.7	1,321	0.6	3,743	0.6	3,608	0.6
Depreciation expense	885	0.4	882	0.4	2,652	0.4	2,694	0.5
Interest expense, net	147	0.1	307	0.2	662	0.1	744	0.1
Income tax (benefit) expense	(2)	-	(2,192)	(1.1)	12,867	2.3	8,561	1.5
EBITDA	9,324	5.0	19,739	9.6	62,515	10.6	62,255	10.6
Stock-based compensation expense	2,609	1.4	2,202	1.1	7,375	1.2	5,851	1.0
Technology transformation costs *(1)*	1,737	0.9	461	0.2	4,476	0.8	690	0.1
Goodwill impairment (2)	2,955	1.6	-	-	2,955	0.5	-	-
Restructuring costs *(3)*	(9)	-	67	0.1	(364)	(0.1)	807	0.2
Contingent consideration adjustment	-	-	-	-	-	-	166	-
Adjusted EBITDA	$ 16,616	8.9 %	$ 22,469	11.0 %	$ 76,957	13.0 %	$ 69,769	11.9 %

(1) Technology transformation costs represent costs included in net income related to the Company's initiative to upgrade its technology platform globally, including a cloud-based enterprise resource planning system and talent acquisition and management system. Such costs primarily include software licensing costs, third-party consulting fees and costs associated with dedicated internal resources that are not capitalized.

(2) Goodwill impairment charge recognized during the three and nine months ended February 25, 2023 was related to the Sitrick operating segment.

(3) The Company substantially completed the Restructuring Plans in fiscal 2021. Substantially all remaining accrued restructuring liability on the books related to employee termination costs was either paid or released as of February 25, 2023.

Our non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP and should not be considered in isolation or construed as substitutes for revenue, net income or other measures of financial performance or financial condition prepared in accordance with GAAP for purposes of analyzing our revenue, profitability or liquidity. Further, a limitation of our non-GAAP financial measures is that they exclude items detailed above that have an impact on our GAAP reported results. Other companies in our industry may calculate these non-GAAP financial measures differently than we do, limiting their usefulness as a comparative measure. Because of these limitations, these non-GAAP financial measures should not be considered a substitute but rather considered in addition to performance measures calculated in accordance with GAAP.

Results of Operations

The following table sets forth our Consolidated Statements of Operations data for the three and nine months ended February 25, 2023 and February 26, 2022, respectively. These historical results are not necessarily indicative of future results. Our operating results for the periods indicated are expressed as a percentage of revenue (in thousands, except percentages).

	Three Months Ended				Nine Months Ended			
	February 25, 2023	% of Revenue *(1)*	February 26, 2022	% of Revenue *(1)*	February 25, 2023	% of Revenue *(1)*	February 26, 2022	% of Revenue *(1)*
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Revenue	$ 186,777	100.0 %	$ 204,609	100.0 %	$ 591,194	100.0 %	$ 587,987	100.0 %
Direct cost of services	115,170	61.7	127,815	62.5	353,770	59.8	361,020	61.4
Gross profit	71,607	38.3	76,794	37.5	237,424	40.2	226,967	38.6
Selling, general and administrative expenses	59,371	31.8	57,090	27.9	172,335	29.2	165,365	28.1
Goodwill impairment	2,955	1.6	-	-	2,955	0.5	-	-
Amortization expense	1,275	0.7	1,321	0.6	3,743	0.6	3,608	0.6
Depreciation expense	885	0.4	882	0.4	2,652	0.4	2,694	0.5
Income from operations	7,121	3.8	17,501	8.6	55,739	9.5	55,300	9.4
Interest expense, net	147	-	307	0.2	662	0.1	744	0.1
Other income	(43)	-	(35)	-	(381)	(0.1)	(653)	(0.1)
Income before income tax (benefit) expense	7,017	3.8	17,229	8.4	55,458	9.5	55,209	9.4
Income tax (benefit) expense	(2)	-	(2,192)	(1.1)	12,867	2.3	8,561	1.5
Net income	$ 7,019	3.8 %	$ 19,421	9.5 %	$ 42,591	7.2 %	$ 46,648	7.9 %

(1) The percentage of revenue may not foot due to rounding.

Consolidated Operating Results – Three Months Ended February 25, 2023 Compared to Three Months Ended February 26, 2022

Revenue. Revenue decreased by $17.8 million, or 8.7%, to $186.8 million in the third quarter of fiscal 2023 compared to $204.6 million in the third quarter of fiscal 2022. We completed the sale of *taskforce* on May 31, 2022. Refer to Note 4 – *Dispositions* in the Notes to Consolidated Financial Statements for further information. Excluding $6.7 million of revenue contributed by *taskforce* during the third quarter of fiscal 2022, revenue in the third quarter of fiscal 2023 decreased by 5.6% over the prior year quarter, or 4.1% on a same-day constant currency basis. Excluding *taskforce*, the decrease in revenue was primarily due to a 7.4% decline in billable hours that was partially offset by an increase in the average bill rate of 1.6% (or 3.1% constant currency) during the third quarter of 2023.

The following table represents our consolidated revenues by geography for the three months ended February 25, 2023 and February 26, 2022, respectively (in thousands, except percentages):

	Three Months Ended			
	February 25, 2023	% of Revenue	February 26, 2022	% of Revenue
	(Unaudited)		(Unaudited)	
North America	$ 163,790	87.7 %	$ 173,569	84.8 %
Europe	10,176	5.4	17,856	8.7
Asia Pacific	12,811	6.9	13,184	6.5
Total consolidated revenue	$ 186,777	100.0 %	$ 204,609	100.0 %

North American revenue declined by $9.8 million or 5.6% (5.7% on a same-day constant currency basis) compared to the third quarter of fiscal 2022, primarily driven by a 9.0% decrease in billable hours, partially offset by improvement in the average bill rate by 4.2%. The decrease in billable hours was due to the uncertainty and slowdown in the macro economy. Many clients have become increasingly cautious with their spending, causing delays in deal closings and project starts during the quarter. While our pipeline remains healthy, the pace and volume of revenue conversion continue to be moderate. Our efforts to raise bill rates yielded positive impact on revenue during the third quarter. We will continue to optimize pricing to align bill rates to the value delivered to our clients.

European revenue decreased by $7.7 million or 43.0%, or 34.8% on a same-day constant currency basis, from the third quarter of fiscal 2022. Excluding the impact of the *taskforce* divestiture and on a constant currency basis, revenue in Europe increased by $0.5 million or 4.3% on a same-day constant currency basis compared to the third quarter of fiscal 2022. The increase is primarily the result of better execution.

Asia Pacific revenue decreased by $0.4 million or 2.8%, or a 9.8% increase on a same-day constant currency basis, compared to the third quarter of fiscal 2022. The growth in Asia Pacific revenue on a same-day constant currency basis was primarily driven by healthy demand from our strategic client accounts, particularly in the southeast Asia region. The increase is primarily driven by an improvement in the average bill rate of 6.3% and a 0.6% increase in billable hours.

Direct Cost of Services. Direct cost of services decreased $12.6 million, or 9.9%, to $115.2 million for the third quarter of fiscal 2023 from $127.8 million for the third quarter of fiscal 2022. The decrease in direct cost of services was primarily attributable to a 9.2% decline in billable hours (1.9% attributed to the divestiture of *taskforce*) and a 3.1% decrease in average pay rate on a constant currency basis during the third quarter of fiscal 2023 compared to the prior year's quarter. The decrease in average pay rate was largely attributable to the divesture of *taskforce*, that has historically carried higher pay rates.

Direct cost of services as a percentage of revenue was 61.7% for the third quarter of fiscal 2023 compared to 62.5% for the third quarter of fiscal 2022. The decreased percentage compared to the prior year quarter was primarily attributable to an improvement of 190 basis points in the overall pay/bill ratio, partially offset by an increase in consultant holiday pay resulting from the addition of Martin Luther King Jr. Day as an official Company holiday in fiscal 2023, and higher self-insured medical costs. We seek to continue to drive improvement in the overall pay/bill ratio and indirect cost leverage through strategic pricing, while offering competitive compensation and benefits to our consultants to attract and retain the best talent in the marketplace.

The number of consultants on assignment at the end of the third quarter of fiscal 2023 was 3,164 compared to 3,445 at the end of the third quarter of fiscal 2022.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") was $59.4 million, or 31.8% of revenue, for the third quarter of fiscal 2023 compared to $57.1 million, or 27.9% of revenue, for the third quarter of fiscal 2022. The $2.3 million rise in SG&A year-over-year was primarily attributed to an increase of $2.7 million in management compensation, an increase of $1.3 million in technology transformation costs, a $1.1 million foreign exchange gain in the prior year quarter related to the dissolution of a number of foreign legal entities in connection of the Company's restructuring efforts in Europe, a $0.7 million increase in business and travel expenses to support business development activities, an increase of $0.4 million in stock-based compensation expense, and an increase of $1.4 million in other general and administration expenses to support the business. These increases were partially offset by lower incentive compensation in the amount of $4.4 million as a result of business performance in the current fiscal year, a $0.5 million impairment related to exiting a real estate facility in the third quarter of fiscal 2022, and a decrease in occupancy costs of $0.4 million from a real estate footprint reduction.

Management and administrative headcount was 924 at the end of the third quarter of fiscal 2023 and 868 at the end of the third quarter of fiscal 2022. Management and administrative headcount includes full time equivalent headcount for our seller-doer group, which is determined by utilization levels achieved by the seller-doers. Any unutilized time is converted to full time equivalent headcount.

Goodwill Impairment. Goodwill is tested for impairment on an annual basis in the fourth quarter and more frequently if indicators of potential impairment exist. Impairment testing is conducted at the reporting unit level. During the third quarter of fiscal 2023, we completed a goodwill impairment analysis for Sitrick, a strategic and crisis communications business acquired in 2009. Despite signing numerous new clients over the last two years, restricted travel during the pandemic and forced court shutdowns and delayed legal proceedings both during and in the aftermath of the pandemic adversely impacted Sitrick's business. As a result, we performed a qualitative and quantitative impairment analysis relating to the goodwill within Sitrick as of February 25, 2023. We determined that the carrying value of Sitrick was in excess of its fair value and as such recorded a non-cash impairment charge of $3.0 million during the quarter ended February 25, 2023, reducing the goodwill within the Other Segments to zero as of February 25, 2023.

Restructuring Costs. We substantially completed our global restructuring and business transformation plan (the "Restructuring Plans") in fiscal 2021. All employee termination and facility exit costs incurred under the Restructuring Plans were associated with the RGP segment, and are recorded in selling, general and administrative expenses in the Consolidated Statements of Operations. Restructuring costs, including real estate exit costs and adjustments to employee termination costs, associated with the restructuring activities were insignificant for both the three months ended February 25, 2023 and February 26, 2022. All employee termination and facility exit costs incurred under the Restructuring Plans were considered completed as of August 27, 2022, and as a result, the remaining accrued restructuring liability on the books was released. Restructuring liability was zero and $0.4 million as of February 25, 2023 and May 28, 2022, respectively.

Amortization and Depreciation Expense. Amortization expense was $1.3 million in both the three months ended February 25, 2023 and February 26, 2022. Depreciation expense was $0.9 million in both the three months ended February 25, 2023 and February 26, 2022.

Income Taxes. Income tax benefit was near zero (effective tax benefit rate less than 0.1%), compared to an income tax benefit of $2.2 million (effective tax benefit rate of 12.7%) in the prior year quarter. We record tax expense based upon actual results versus a forecasted tax rate because of the volatility in our international operations that span numerous tax jurisdictions. The effective tax benefit rate for the third quarter of fiscal 2022 was attributed largely to a non-recurring tax benefit of $2.6 million from the dissolution of the Company's French entity and a tax benefit of $4.9 million from the release of a valuation allowance in a specific European entity. The effective tax benefit rate for the third quarter of fiscal 2023 was attributed largely to a tax benefit of $1.9 million from the release of a valuation allowance in two European entities.

The Company recognized a tax benefit of approximately $0.2 million and $0.5 million for the three months ended February 25, 2023 and February 26, 2022, respectively, associated with the exercise of nonqualified stock options, vesting of restricted stock awards, and disqualifying dispositions by employees of shares acquired under the Employee Stock Purchase Plan ("ESPP").

Periodically, we review the components of both book and taxable income to prepare the tax provision. There can be no assurance that our effective tax rate will remain constant in the future because of the lower benefit from the U.S. statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of disqualifying dispositions of certain stock options.

Given the current earnings and anticipated future earnings of some of the Company's foreign locations, we believe there is a reasonable possibility that, within the next 12 months, sufficient positive evidence may become available to allow us to reach a conclusion that the valuation allowance on the deferred tax assets of certain foreign entities will no longer be needed. Releasing the valuation allowance would result in the recognition of previously unrecognized deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve.

Comparability of Quarterly Results. Our quarterly results have fluctuated in the past and we believe they will continue to do so in the future. Certain factors that could affect our quarterly operating results are described in Part I, Item 1A of our Fiscal Year 2022 Form 10-K and our other public filings made with the SEC. Due to these and other factors, we believe quarter-to-quarter comparisons of our results of operations may not be meaningful indicators of future performance.

Consolidated Operating Results – Nine Months Ended February 25, 2023 Compared to Nine Months Ended February 26, 2022

Revenue. Revenue increased by $3.2 million, or 0.5%, to $591.2 million for the nine months ended February 25, 2023 compared to $588.0 million for the nine months ended February 26, 2022. Excluding revenue from *taskforce* ($0.2 million and $19.9 million of revenue contributed by *taskforce* during the first three quarters of fiscal 2023 and 2022, respectively), revenue in the first three quarters of fiscal 2023 increased by 4.0% compared to the first three quarters of fiscal 2022, or 5.8% on a same-day constant currency basis. Billable hours and average bill rate for the nine months ended February 25, 2023, excluding *taskforce*, increased by 1.9% and 2.4% (4.0% constant currency), respectively.

The following table represents our consolidated revenues by geography for the nine months ended February 25, 2023 and February 26, 2022, respectively (in thousands, except percentages):

	Nine Months Ended			
	February 25, 2023	% of Revenue	February 26, 2022	% of Revenue
	(Unaudited)		(Unaudited)	
North America	$ 519,994	88.0 %	$ 492,602	83.8 %
Europe	31,752	5.3	56,642	9.6
Asia Pacific	39,448	6.7	38,743	6.6
Total consolidated revenue	$ 591,194	100.0 %	$ 587,987	100.0 %

Revenue grew in North America during the nine months ended February 25, 2023 compared to the same period in fiscal 2022 by 5.6%, or 5.5% on a same-day constant currency basis. We benefited from healthy demand for our services through the first half of fiscal 2023 while the demand environment has softened in the third quarter due to the overall slowdown in the macro economy. Overall, demand from our Strategic Client Accounts has remained relatively stable during the first three quarters of the current fiscal year. Revenues from our Strategic Client Accounts in North America grew 7.4% during the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022. We continue to make strides in improving our bill rates during fiscal 2023. Average bill rates in North America on a constant currency basis improved by 5.0% during the first nine months of fiscal 2023. The combination of both volume and pricing improvement resulted in revenue growth over the same prior fiscal year period.

European revenue decreased 43.9%, or 35.2% on a same-day constant currency basis, during the nine months ended February 25, 2023 compared to the nine months ended February 26, 2022. Excluding the impact of the *taskforce* divestiture, revenue in Europe decreased 14.2%, or 0.8% on a same-day constant currency basis. The decline in Europe's revenue was primarily the result of delayed client buying patterns throughout the current fiscal year due to uncertainties in the macro environment in the European region.

Asia Pacific revenue grew 1.8%, or 15.2% increase on a same-day constant currency basis, during the nine months ended February 25, 2023 compared to the nine months ended February 26, 2022. The growth in Asia Pacific revenue was primarily driven by healthy demand from our Strategic Client Accounts, particularly in the southeast Asia region. Revenues from our Strategic Client Accounts in Asia Pacific grew 16.6% compared to the first nine months of fiscal 2022. Average bill rates in Asia Pacific on a constant currency basis improved by 4.1% during the first nine months of fiscal 2023. The combination of both volume and pricing improvement resulted in revenue growth over the same prior fiscal year period.

Direct Cost of Services. Direct cost of services decreased $7.2 million, or 2.0%, to $353.8 million for the nine months ended February 25, 2023 from $361.0 million for the nine months ended February 26, 2022. The decrease in direct cost of services year over year was primarily attributable to a 3.2% decrease (1.6% decrease on a constant currency basis) in average pay rate in the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022. The decrease in average pay rate was largely attributable to the divesture of *taskforce*, that has historically carried higher pay rates. Billable hours were relatively consistent (increased by 1.9% excluding *taskforce*) in the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022.

Direct cost of services as a percentage of revenue was 59.8% for the nine months ended February 25, 2023 compared to 61.4% for the nine months ended February 26, 2022. The decreased percentage compared to the prior year was primarily attributable to an improvement of 200 basis points in the overall pay/bill ratio. This favorable impact was partially offset by an increase in employee-related benefits, primarily in self-insured medical costs and holiday pay.

Selling, General and Administrative Expenses. SG&A was $172.3 million, or 29.2% of revenue, for the nine months ended February 25, 2023 compared to $165.4 million, or 28.1% of revenue, for the nine months ended February 26, 2022. The $6.9 million increase in SG&A year-over-year was primarily attributed to an increase of $6.3 million in management compensation and benefits, an increase of $3.8 million in technology transformation costs, a $2.1 million increase in business and travel expenses to support business development activities, a $1.5 million increase in stock-based compensation expense, $1.3 million increase in computer software costs, an increase of $0.6 million in bad debt expenses, an increase of $0.5 million resulting from the adverse effect of changes in foreign currency exchange rates, and a $1.6 million increase in all other general and administration expenses to support the business. These incremental costs were partially offset by lower bonus and commissions of $9.0 million due to more moderate growth in the business, and a decrease in occupancy costs of $1.8 million from real estate footprint reduction.

Goodwill Impairment. The drivers for the nine-month goodwill impairment are consistent with the three-month period.

Restructuring Costs. We substantially completed our Restructuring Plans in fiscal 2021. Restructuring costs, including real estate exit costs and adjustments to employee termination costs, associated with the restructuring activities, were ($0.4) million and $0.8 million for the nine months ended February 25, 2023 and February 26, 2022, respectively.

Amortization and Depreciation Expense. Amortization expense was $3.7 million and $3.6 million in the first nine months of fiscal 2023 and fiscal 2022, respectively. Depreciation expense was $2.7 million for both the first nine months of fiscal 2023 and fiscal 2022.

Income Taxes. Income tax expense was $12.9 million (effective tax rate of 23.2%) for the nine months ended February 25, 2023 compared to $8.6 million (effective tax rate of 15.5%) for the nine months ended February 26, 2022. We record tax expense based upon actual results versus a forecasted tax rate because of the volatility in our international operations that span numerous tax jurisdictions. The effective tax rate for the first nine months of fiscal 2022 was attributed largely to a non-recurring tax benefit of $2.6 million from the dissolution of the Company's French entity and a tax benefit of $4.9 million from the release of a valuation allowance in a specific European entity. The effective tax rate for the first nine months of fiscal 2023 was attributed largely to a tax benefit of $1.9 million from the release of a valuation allowance in two European entities.

The Company recognized a tax benefit of approximately $2.0 million and $1.3 million for the first three quarters of fiscal 2023 and fiscal 2022, respectively, associated with the exercise of nonqualified stock options, vesting of restricted stock awards, restricted stock units, and disqualifying dispositions by employees of shares acquired under the ESPP.

Operating Results of Segment

On May 31, 2022, the Company divested *taskforce*; refer to Note 2 – *Summary of Significant Accounting Policies* and Note 4 – *Dispositions* in the Notes to Consolidated Financial Statements for further information. Since the second quarter of fiscal 2021 and prior to the divestment, the business operated by *taskforce*, along with its parent company, Resources Global Professionals (Germany) GmbH, an affiliate of the Company, represented an operating segment of the Company and was reported as a part of Other Segments.

Effective May 31, 2022, the Company's operating segments consist of RGP and Sitrick beginning with the reporting period for the three and nine months ended February 25, 2023.

RGP – a global consulting firm focused on project execution services that power clients' operational needs and change initiatives utilizing on-demand, experienced and diverse talent; and
Sitrick – a crisis communications and public relations firm which operates under the Sitrick brand, providing corporate, financial, transactional and crisis communication and management services.

RGP is the Company's only operating segment that meets the quantitative threshold of a reportable segment. Sitrick does not individually meet the quantitative thresholds to qualify as a reportable segment. Therefore, Sitrick is disclosed in Other Segments. Prior-period comparative segment information was not restated as a result of the divestiture of *taskforce* as we did not have a change in internal organization or the financial information our Chief Operating Decision Maker uses to assess performance and allocate resources.

The following table presents our current operating results by segment for the three and nine months ended February 25, 2023 and February 26, 2022, respectively (in thousands, except percentages).

	Three Months Ended				Nine Months Ended			
	February 25, 2023		February 26, 2022		February 25, 2023		February 26, 2022	
Revenue:	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
RGP	$ 184,270	98.7 %	$ 195,251	95.4 %	$ 582,849	98.6 %	$ 557,584	94.8 %
Other Segments *(1)*	2,507	1.3	9,358	4.6	8,345	1.4	30,403	5.2
Total revenue	$ 186,777	100.0 %	$ 204,609	100.0 %	$ 591,194	100.0 %	$ 587,987	100.0 %
Adjusted EBITDA:								
RGP	$ 25,320	152.4 %	$ 30,656	136.4 %	$ 101,331	131.7 %	$ 91,833	131.6 %
Other Segments *(1)*	113	0.7	579	2.6	761	1.0	2,817	4.0
Reconciling items *(2)*	(8,817)	(53.1)	(8,766)	(39.0)	(25,135)	(32.7)	(24,881)	(35.6)
Total Adjusted EBITDA *(3)*	$ 16,616	100.0 %	$ 22,469	100.0 %	$ 76,957	100.0 %	$ 69,769	100.0 %

(1) Amounts reported in Other Segments for the three and nine months ended February 25, 2023 include Sitrick, and, for the nine months ended February 25, 2023, an immaterial amount from taskforce from May 29, 2022 through May 31, 2022, the completion date of the sale. Amounts previously reported for the three and nine months ended February 26, 2022 included the Sitrick and taskforce operating segments.

(2) Reconciling items are generally comprised of unallocated corporate administrative costs, including management and board compensation, corporate support function costs and other general corporate costs that are not allocated to segments.

(3) A reconciliation of the Company's net income to Adjusted EBITDA on a consolidated basis is presented above under "Non-GAAP Financial Measures."

Revenue by Segment

RGP – RGP revenue decreased $11.0 million, or 5.6%, in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022, primarily as a result of a 7.4% decrease in billable hours that was partially offset by the effect of a 2.4% increase in the average bill rate from the prior year quarter, as discussed in the consolidated operating results discussion above. For the first nine months of fiscal 2023, RGP revenue increased $25.3 million, or 4.5%, to $582.8 million compared to $557.6 million for the first nine months of fiscal 2022, primarily as a result of a 3.3% increase in average bill rate and 2.0% increase in billable hours year over year. Revenue from RGP represents more than 90% of total consolidated revenue and generally reflects the overall consolidated revenue trend.

The number of consultants on assignment under the RGP segment as of February 25, 2023 was 3,149 compared to 3,328 as of February 26, 2022.

Other Segments – Other Segments' revenue for the third quarter of fiscal 2023 decreased $6.9 million to $2.5 million, compared to the third quarter of fiscal 2022. The revenue decrease is primarily due to the $6.7 million decline in revenue as a result of the divestiture of *taskforce* on May 31, 2022 and a $0.2 million decline in Sitrick's revenue for the third quarter of 2023 compared to the third quarter of fiscal 2022. Sitrick continued to be affected by the lingering impact of the Pandemic on the court system resulting in delays in court proceedings and more settlements, hindering leads for revenue generation in the business. For the first nine months of fiscal 2023, revenue from Other Segments decreased $22.1 million, or 72.6%, to $8.3 million from $30.4 million for the first three quarters of fiscal 2022, primarily as a result of a $19.7 million decline in revenue from the divestiture of *taskforce* in the current year and a $2.4 million decline in Sitrick revenue.

The number of consultants on assignment under Other Segments as of February 25, 2023 was 15 compared to 117 as of February 26, 2022. The decrease was related to the divestiture of *taskforce*.

Adjusted EBITDA by Segment

RGP – RGP's Adjusted EBITDA decreased $5.3 million, or 17.4%, to $25.3 million for the third quarter of fiscal 2023, compared to $30.7 million for the third quarter of fiscal 2022. Compared to the prior year quarter, revenue decreased $11.0 million for the third quarter of fiscal 2023 which was partially offset by a $7.5 million decrease in the cost of services. In addition, SG&A costs attributed to RGP increased $1.9 million for the third quarter of fiscal 2023 as compared to the third quarter fiscal 2022 primarily due to the increase in management compensation expense of $2.5 million partially as a result of employee compensation adjustments to remain competitive in the current labor market; a $0.8 million increase in computer software and consulting costs; an increase of $0.6 million in business and travel expenses to support go-to-market activities; and a $0.9 million increase in all other general and administration expenses. These cost increases were partially offset by reductions in bonus and commissions of $2.6 million as a result of more moderate business growth than anticipated and a decrease in occupancy costs of $0.3 million from real estate footprint reduction. For the third quarter of fiscal 2023, the material costs and expenses attributable to the RGP segment that are not included in computing the segment measure of Adjusted EBITDA included depreciation and amortization expenses of $2.2 million, stock-based compensation expense of $2.3 million and technology transformation costs of $1.7 million.

RGP's Adjusted EBITDA increased $9.5 million, or 10.3%, to $101.3 million for the first nine months of fiscal 2023, compared to $91.8 million in the first three quarters of fiscal 2022. The increase was primarily attributable to the $25.3 million increase in revenue for the first nine months of fiscal 2023, which was partially offset by an increase in the cost of services by $8.1 million. Additionally, SG&A costs attributed to RGP increased $7.4 million for the first nine months of fiscal 2023 as compared to the first nine months of fiscal 2022 primarily due to the increase in management compensation of $6.5 million partially as a result of employee compensation adjustments to remain competitive in the current labor market; a $1.9 million increase in business and travel expenses; a $2.1 million increase in computer software and consulting costs; a $0.8 million increase in recruiting expenses; and a $2.3 million increase in all other general and administration expenses. These cost increases were partially offset by reductions in bonuses and commissions of $5.1 million as a result of more moderate business growth than anticipated and a decrease in occupancy costs of $1.1 million from real estate footprint reduction. For the first three quarters of fiscal 2023, the material costs and expenses attributable to the RGP segment that are not included in computing the segment measure of Adjusted EBITDA included depreciation and amortization expenses of $6.3 million and stock-based compensation expense of $6.6 million and technology transformation costs of $4.5 million.

The trend in revenue, cost of services and other costs and expenses at RGP compared to the prior year period is generally consistent with those at the consolidated level, as discussed above, with the exception that the SG&A used to derive segment Adjusted EBITDA does not include certain unallocated corporate administrative costs.

Other Segments – Other Segments' Adjusted EBITDA declined $0.5 million, or 80.7%, for the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022. The decline was primarily driven by a $6.9 million decrease in revenue due to the divestiture of *taskforce* and slow business recovery in Sitrick from the Pandemic, which is partially offset by a $5.1 million decrease in the cost of services. In addition, management compensation decreased by $0.4 million, and bonus and commissions decreased by $0.4 million, which are primarily attributed to the divestiture of *taskforce*. For the third quarter of fiscal 2023, the material costs and expenses attributable to the Other Segments that are not included in computing the segment measure of Adjusted EBITDA included depreciation and amortization expenses of less than $0.1 million, stock-based compensation expense of $0.3 million and goodwill impairment of $3.0 million.

Other Segments' Adjusted EBITDA declined $2.1 million, or 73.0%, to $0.8 million in the first nine months of fiscal 2023 compared to the same period in fiscal 2022. The decline is attributable to the $22.1 million decrease in revenue due to the divestiture of *taskforce* at the beginning of fiscal 2023 and slow business recovery in Sitrick from the Pandemic, which is partially offset by a $15.3 million decrease in the cost of services. In addition, management compensation decreased by $2.4 million, bonus and commissions decreased by $1.4 million, and occupancy costs were reduced by $0.6 million, which are primarily attributed to the divestiture of *taskforce*. For the first three quarters of fiscal 2023, the material costs and expenses attributable to the Other Segments that are not included in computing the segment measure of Adjusted EBITDA included depreciation and amortization expenses of $0.1 million and stock-based compensation expense of $0.8 million and goodwill impairment of $3.0 million.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operating activities, our $175.0 million senior secured revolving credit facility (as discussed further below) and historically, to a lesser extent, stock option exercises and ESPP purchases. On an annual basis, we have generated positive cash flows from operations since inception. Our ability to generate positive cash flows from operations in the future will depend, at least in part, on global economic conditions and our ability to remain resilient during periods of deteriorating macroeconomic conditions and any economic downturns. As of February 25, 2023, we had $103.9 million of cash and cash equivalents, including $45.7 million held in international operations.

Prior to November 12, 2021, the Company had a $120.0 million secured revolving credit facility (the “Previous Credit Facility”) with Bank of America, pursuant to the terms of the Credit Agreement dated October 17, 2016 between the Company and Resources Connection LLC, as borrowers, and Bank of America, N.A. as lender (as amended, the “Previous Credit Agreement”). The Previous Credit Agreement was scheduled to mature on October 17, 2022.

On November 12, 2021, the Company and Resources Connection LLC, as borrowers, and all of the Company’s domestic subsidiaries, as guarantors, entered into a new credit agreement with the lenders that are party thereto and Bank of America, N.A. as administrative agent for the lenders (the “New Credit Agreement”), and concurrently terminated the Previous Credit Facility. The New Credit Agreement provides for a $175.0 million senior secured revolving loan (the “New Credit Facility”), which includes a $10.0 million sublimit for the issuance of standby letters of credit and a swingline sublimit of $20.0 million. The New Credit Facility also includes an option to increase the amount of the revolving loan up to an additional $75.0 million, subject to the terms of the New Credit Agreement. The New Credit Facility matures on November 12, 2026. The obligations under the New Credit Facility are secured by substantially all assets of the Company, Resources Connection LLC and all of the Company’s domestic subsidiaries.

As of February 25, 2023, we had paid down all the outstanding debt under the New Credit Facility. Borrowings under the New Credit Facility bear interest at a rate per annum of either, at the Company’s election, (i) Term SOFR (as defined in the New Credit Agreement) plus a margin ranging from 1.25% to 2.00% or (ii) the Base Rate (as defined in the New Credit Agreement), plus a margin of 0.25% to 1.00% with the applicable margin depending on the Company’s consolidated leverage ratio. In addition, the Company pays an unused commitment fee on the average daily unused portion of the New Credit Facility, which ranges from 0.20% to 0.30% depending on the Company’s consolidated leverage ratio.

On November 2, 2022, Resources Global Enterprise Consulting (Beijing) Co., Ltd, (a wholly owned subsidiary of the Company), as borrower, and the Company, as guarantor, entered into a RMB 13.4 million ($1.8 million based on the prevailing exchange on November 2, 2022) revolving credit facility with Bank of America, N.A. (Beijing) as the lender (the “Beijing Revolver”). The Beijing Revolver bears interest at loan prime rate plus 0.80%. Interest incurred on borrowings will be payable monthly in arrears. As of February 25, 2023, the Company had no borrowings outstanding under the Beijing Revolver.

The New Credit Facility is available for working capital and general corporate purposes, including potential acquisitions, dividend distribution and stock repurchases. Additional information regarding the Company’s debt is included in Note 7 – *Long-Term Debt* in the Notes to Consolidated Financial Statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

In addition to cash needs for ongoing business operations, from time to time, we have strategic initiatives that could generate significant additional cash requirements. Our initiative to upgrade our technology platform, as described in “Fiscal 2023 Strategic Focus Areas” above, requires significant investments over multiple years. During fiscal 2023, we refined the deployment roadmap and the estimated amount of the investments required for this multi-year initiative to be in the range of $30.0 million to $33.0 million through the completion of the system implementation. Such costs primarily include software licensing fees, third-party implementation and consulting fees, incremental costs associated with additional internal resources needed on the project and other costs in areas including change management and training. The actual amount of investment and the timing will depend on a number of variables, including progress made on the implementation. We expect the majority of the investment will take place in fiscal 2023 and fiscal 2024. In addition to our technology transformation initiative, we expect to continue to invest in digital pathways to enhance the experience and touchpoints with our end users, including current and prospective employees (consultants and management employees) and clients. These efforts will require additional cash outlay and could further elevate our capital expenditures in the near term. We believe our current cash, ongoing cash flows from our operations and funding available under our New Credit Facility will provide sufficient funds for these initiatives. As of February 25, 2023, we have non-cancellable purchase obligations totaling $16.1 million, which primarily consists of payments pursuant to the licensing arrangements that we have entered into in connection with this initiative: less than $0.1 million due in the fourth quarter of fiscal 2023; $5.0 million due during fiscal 2024; $4.8 million due during fiscal 2025; $3.1 million due during fiscal 2026; and $3.1 million due thereafter.

We have completed our restructuring initiatives globally and do not expect any future cash requirements for these restructuring initiatives. In fiscal 2021, we elected to adopt the payroll taxes deferral option and implement certain tax planning strategies under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act included provisions, among others, allowing deferral of the employer portion of the social security payroll taxes and addressing the carryback of net operating losses ("NOLs") for specific periods. The previously deferred employer social security payroll taxes totaling $12.6 million were paid throughout calendar year 2021 and 2022. As of February 25, 2023, all deferred payroll taxes were paid in full. In addition, as part of our tax planning strategies, we made certain changes related to the capitalization of fixed assets effective for fiscal 2021. This strategy allowed us to carry back the NOLs of fiscal 2021 to fiscal years 2016 to 2018 and allowed us to request refunds for alternative minimum tax ("AMT") credits for fiscal years 2019 and 2020. We filed for a federal income tax refund in the U.S. for the amount of $34.8 million (before interest) in April 2022. As of February 25, 2023, we have received a refund of $35.5 million (including interest income of $0.7 million).

As described under Market Trends and Uncertainties, uncertain macroeconomic conditions and increases in interest rates have created significant uncertainty in the global economy, volatility in the capital markets and recessionary pressures, which may adversely impact our financial results, operating cash flows and liquidity needs. If we are required to raise additional capital or incur additional indebtedness for our operations or to invest in our business, we can provide no assurances that we would be able to do so on acceptable terms or at all. Our ongoing operations and growth strategy may require us to continue to make investments in critical markets and further expand our internal technology and digital capabilities. In addition, we may consider making strategic acquisitions or initiating additional restructuring initiatives, which could require significant liquidity and adversely impact our financial results due to higher cost of borrowings. We believe that our current cash, ongoing cash flows from our operations and funding available under our New Credit Facility will be adequate to meet our working capital and capital expenditure needs for at least the next 12 months.

Beyond the next 12 months, if we require additional capital resources to grow our business, either organically or through acquisitions, we may seek to sell additional equity securities, increase use of our New Credit Facility, expand the size of our New Credit Facility or raise additional debt. In addition, if we decide to make additional share repurchases, we may fund these through existing cash balances or use of our New Credit Facility. The sale of additional equity securities or certain forms of debt financing could result in additional dilution to our stockholders. Our ability to secure additional financing in the future, if needed, will depend on several factors. These include our future profitability and the overall condition of the credit markets. Notwithstanding these considerations, we expect to meet our long-term liquidity needs with cash flows from operations and financing arrangements.

Other than as described herein, there have been no material changes to our material cash requirements, including commitments for capital expenditures, described under the heading "Liquidity and Capital Resources" in Item 7 of Part II of our Fiscal Year 2022 Form 10-K.

Operating Activities

Operating activities for the first nine months of fiscal 2023 provided cash of $63.9 million compared to $22.7 million cash provided for the first nine months of fiscal 2022. In the first nine months of fiscal 2023, cash provided by operations resulted from net income of $42.6 million and non-cash adjustments of $9.3 million. Additionally, net favorable changes in operating assets and liabilities totaled $12.0 million, primarily consisting of a $26.9 million decrease in income taxes (which included $35.5 million in U.S. federal income tax refunds including interest income); $7.4 million decrease in trade accounts receivable and a $3.8 million increase in accounts payable and other accrued expenses. These favorable changes are partially offset by a $19.4 million decrease in accrued salaries and related obligations, mainly due to the timing of our pay cycle and the payout of the annual incentive compensation during the first nine months of fiscal 2023; a $4.3 million decrease in other liabilities and a $1.4 million increase in other assets attributed to the capitalized cost of implementing our technology transformation.

In the first nine months of fiscal 2022, cash provided by operations resulted from net income of $46.6 million and non-cash adjustments of $2.6 million. Additionally, for the first three quarters of fiscal 2022, net unfavorable changes in operating assets and liabilities totaled $26.6 million, primarily consisting of a $36.4 million increase in trade accounts receivable, mainly attributable to accelerated revenue growth throughout the first three quarters of fiscal 2022, the final Veracity contingent consideration payment, of which $3.7 million was categorized as operating (the remaining $3.3 million of the total $7.0 million contingent consideration payment was categorized as financing cash flow) and a $1.0 million increase in prepaid income taxes due to timing of estimated quarterly tax payments, and a $10.5 million decrease in other liabilities partially offset by a $19.9 million increase in accrued salaries and related obligations due to the significant increase in accrued incentive compensation during the first nine months of fiscal year.

Investing Activities

Net cash provided by investing activities was $1.5 million for the first nine months of fiscal 2023 compared to the net cash used of $2.4 million for the first nine months of fiscal 2022. Net cash provided by investing activities in the first nine months of fiscal 2023 was primarily related to the cash proceeds from the divestiture of *taskforce* partially offset by the cost incurred for the development of internal-use software and acquisition of property and equipment. Net cash used in investing activities in the first nine months of fiscal 2022 was primarily for the development of internal-use software and acquisition of property and equipment.

Financing Activities

Net cash used in financing activities totaled $64.3 million in the first nine months of fiscal 2023 compared to $10.4 million in the first nine months of fiscal 2022. Net cash used in financing activities during the first nine months of fiscal 2023 consisted of net repayments on the New Credit Facility of $54.0 million (consisting of $69.0 million of repayments and $15.0 million of proceeds), cash dividend payments of $14.1 million, and $10.5 million to purchase 618,438 shares of common stock on the open market. These uses were partially offset by $14.3 million in proceeds received from ESPP share purchases and employee stock option exercises. Net cash used in financing activities during the first nine months of fiscal 2022 consisted of $19.7 million used for the repurchase of our common stock, cash dividend payments of $14.0 million, the final Veracity contingent consideration payment, of which $3.3 million was categorized as financing (the remaining $3.7 million of the total $7.0 million final Veracity contingent consideration payment was categorized as operating), and the Expertence contingent consideration payment of $0.3 million. These uses were partially offset by $10.4 million of net borrowing under the New Credit Facility (consisting of $73.4 million of proceeds and $63.0 million of repayment), and $16.5 million in proceeds received from ESPP share purchases and employee stock option exercises.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

Interest Rate Risk. We are primarily exposed to market risks from fluctuations in interest rates and the effects of those fluctuations on the market values of our cash and cash equivalents and our borrowings under the New Credit Facility that bear interest at a variable market rate.

As of February 25, 2023, we had approximately $103.9 million of cash and cash equivalents. The earnings on cash and cash equivalents are subject to changes in interest rates; however, assuming a constant balance available for investment, a 10% decline in interest rates would reduce our interest income but would not have a material impact on our consolidated financial position or results of operations.

As of February 25, 2023, we had no borrowings under our New Credit Facility. We may be exposed to interest rate risk related to fluctuations in the term SOFR rate and, to a lesser extent, the loan prime rate on the Beijing Revolver related to any outstanding debt. See “Sources and Uses of Liquidity” above and Note 7 – *Long-Term Debt* in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion about the interest rate on our New Credit Facility and the Beijing Revolver. To the extent that there is a significant increase in the level of borrowings, a sharp rise in interest rate could have a material impact on our consolidated financial position or results of operations.

Foreign Currency Exchange Rate Risk. For the nine months ended February 25, 2023, approximately 14.1% of our revenues were generated outside of the U.S. As a result, our operating results are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Thus, as the value of the U.S. dollar fluctuates relative to the currencies in our non-U.S.-based operations, our reported results may vary.

Assets and liabilities of our non-U.S.-based operations are translated into U.S. dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 56.1% of our balances of cash and cash equivalents as of February 25, 2023 were denominated in U.S. dollars. The remaining amount of approximately 43.9% was comprised primarily of cash balances translated from Euros, British Pound Sterling, Japanese Yen, Canadian Dollar, Chinese Yuan, Indian Rupee, and Mexican Pesos. The difference resulting from the translation in each period of assets and liabilities of our non-U.S.-based operations is recorded as a component of stockholders’ equity in accumulated other comprehensive income or loss.

Although we monitor our exposure to foreign currency fluctuations, we do not currently use financial hedges to mitigate risks associated with foreign currency fluctuations including in a limited number of circumstances when we may be asked to transact with our client in one currency but are obligated to pay our consultants in another currency. Our foreign entities typically transact with clients and consultants in their local currencies and generate enough operating cash flows to fund their own operations. We believe our economic exposure to exchange rate fluctuations has not been material. However, we cannot provide assurance that exchange rate fluctuations will not adversely affect our financial results in the future.

ITEM 4. ***CONTROLS AND PROCEDURES.***

As required by Rule 13a-15(b) under the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of February 25, 2023. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of February 25, 2023. There has been no change in the Company’s internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act, during the fiscal quarter ended February 25, 2023 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1A. *RISK FACTORS.*

Other than as set forth below, there have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Fiscal Year 2022 Form 10-K, which was filed with the SEC on July 28, 2022. See "Risk Factors" in Item 1A of Part I of such Fiscal Year 2022 Form 10-K for a complete description of the material risks we face.

Bank failures or other events affecting financial institutions could adversely affect our and our clients' liquidity and financial performance.

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks, which exceed the FDIC insurance limits. We also maintain cash deposits in foreign banks where we operate, some of which are not insured or are only partially insured by the FDIC or other similar agencies. The failure of a bank, or events involving limited liquidity, defaults, non-performance or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, or concerns or rumors about such events, may lead to disruptions in access to our bank deposits or otherwise adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. or applicable foreign government, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

Our clients, including those of our clients that are banks, may be similarly adversely affected by any bank failure or other event affecting financial institutions. Any resulting adverse effects to our clients' liquidity or financial performance could reduce the demand for our services or affect our allowance for doubtful accounts and collectability of accounts receivable. A significant change in the liquidity or financial position of our clients could cause unfavorable trends in receivable collections and cash flows and additional allowances for anticipated losses may be required. These additional allowances could materially affect our future financial results.

In addition, instability, liquidity constraints or other distress in the financial markets, including the effects of bank failures, defaults, non-performance or other adverse developments that affect financial institutions, could impair the ability of one or more of the banks participating in our current or any future credit agreement from honoring their commitments. This could have an adverse effect on our business if we were not able to replace those commitments or to locate other sources of liquidity on acceptable terms.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.*

The following table provides information about purchases by the Company of its common stock for the three months ended February 25, 2023. All shares were repurchased pursuant to the July 2015 program as described in footnote *(1)* below.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs *(1)***	**Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs**
November 27, 2022— December 24, 2022	-	$ -	-	$ 60,094,931
December 25, 2022 — January 21, 2023	236,749	$ 17.24	236,749	$ 56,012,228
January 22, 2023 — February 25, 2023	63,251	$ 16.97	63,251	$ 54,939,002
Total November 27, 2022 — February 25, 2023	300,000	$ 17.19	300,000	$ 54,939,002

(1) In July 2015, our board of directors approved a stock repurchase program (the "July 2015 program"), authorizing the purchase, at the discretion of our senior executives, of our common stock for an aggregate dollar limit not to exceed $150 million. Subject to the aggregate dollar limit, the currently authorized stock repurchase program does not have an expiration date. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan.

ITEM 6. *EXHIBITS.*

The following exhibits are filed with, or incorporated by reference in, this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Document
10.1*+	Resources Connection, Inc. Directors' Compensation Policy (Revised January 19, 2023).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following unaudited interim consolidated financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 25, 2023, formatted in Inline XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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* Filed herewith.
** Furnished herewith.
+ Indicates a management contract or compensatory plan or arrangement.

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.

RESOURCES CONNECTION, INC.

Date: April 6, 2023

/s/ KATE W. DUCHENE

Kate W. Duchene
President, Chief Executive Officer
(Principal Executive Officer)

Date: April 6, 2023

/s/ JENNIFER RYU

Jennifer Ryu
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

RESOURCES CONNECTION, INC.

DIRECTORS' COMPENSATION POLICY

Revised January 19, 2023

Directors of Resources Connection, Inc., a Delaware corporation (the "Company"), who are not employed by the Company or one of its subsidiaries ("non-employee directors") are entitled to the compensation set forth below for their service as a member of the Board of Directors (the "Board") of the Company. This revised policy is effective beginning January 1, 2023 and supersedes all prior policies concerning compensation of the Company's non-employee directors as to their service from and after that time. The Board has the right to amend this policy from time to time.

Cash Compensation	
Annual Retainer	$50,000
Additional Board Chair Retainer	$250,000
Additional Lead Independent Director Retainer	$30,000
Additional Committee Chair Retainers:	
Audit Committee Chair	$35,000
Compensation Committee Chair	$15,000
Corporate Governance and Nominating Committee Chair	$10,000
Additional Committee Retainers:	
Audit Committee	$5,000
Compensation Committee	$5,000
Corporate Governance and Nominating Committee	$2,500
Equity Compensation	
Annual Equity Award	$100,000 *pro rata portion of Annual Equity Award dependent upon appointment or election date for new directors*

Cash Compensation

Each non-employee director will be entitled to an annual cash retainer while serving on the Board in the amount set forth above (the "Annual Retainer"). A non-employee director who serves as the Chair of the Board will be entitled to an additional cash retainer while serving in that position in the amount set forth above (the "Additional Board Chair Retainer"). A non-employee director who serves as the Lead Independent Director of the Board will be entitled to an additional cash retainer while serving in that position in the amount set forth above (the "Additional Lead Independent Director Retainer"). A non-employee director who serves as the Chair of the Audit Committee, the Compensation Committee or the Corporate Governance and Nominating Committee of the Board will be entitled to an additional cash retainer while serving in that position in the applicable amount set forth above (an "Additional Committee Chair Retainer"). A non-employee director who serves as a member of the Audit Committee, the Compensation Committee or the Corporate Governance and Nominating Committee of the Board will be entitled to an additional cash retainer while serving as a member of that committee in the applicable amount set forth above (an "Additional Committee Member Retainer").

The amounts of the Annual Retainer, Additional Board Chair Retainer, Additional Lead Independent Director Retainer, Additional Committee Chair Retainers and Additional Committee Member Retainers reflected above are expressed as annualized amounts. These retainers will be paid on an annual basis. New non-employee directors, including any director who is employed or formerly employed by the Company or one of its subsidiaries and who first becomes a non-employee director as a result of ceasing to be so employed, will receive a *pro rata* portion of the Annual Retainer and any applicable Additional Retainers, with the proration based on the number of calendar days in the calendar year that the director will serve as a non-employee director or will hold the particular position, as the case may be.

Equity Awards

Annual Restricted Stock Awards for Continuing Board Members

On the first trading day of each calendar year, each non-employee director then in office will automatically be granted an award of restricted stock with respect to shares of the Company's common stock. The number of shares subject to such restricted stock award will be determined by dividing the Annual Equity Award grant value set forth above by the per-share closing price of the Company's common stock on the date of grant (rounded down to the nearest whole share). The date of grant will be the first market trading date in January. Notwithstanding the foregoing, the Board my provide for a non-employee director to receive the value of the Annual Equity Award in cash if the non-employee director's equity holdings in the Company's common stock already exceed ten times the applicable ownership level under the Company's Stock Ownership Guidelines for Directors at the time the Annual Equity Award would otherwise be granted.

Initial Restricted Stock Awards for New Directors

Each new non-employee director appointed or elected after the start of the calendar year, as well as an employee or former employee of the Company or one of its subsidiaries who ceases to be so employed or becomes a non-employee director after the start of a calendar year, will receive a *pro rata* portion of the Annual Equity Award set forth above (or cash equivalent if applicable) with the proration based on the number of calendar days in the calendar year that the director will serve as a non-employee director.

The number of shares subject to such Annual Equity Award will be determined by dividing the Annual Equity Award grant value set forth above by the per-share-closing price of the Company's common stock on the date of grant (rounded down to the nearest whole share). The date of grant will be the first market trading date following the appointment or election of the non-employee or director.

Provisions Applicable to All Non-Employee Director Restricted Stock Awards

Each Annual Equity Award will be made under and subject to the terms and conditions of the Company's 2014 Performance Incentive Plan, as amended (the "2014 Plan"), or any successor equity compensation plan approved by the Company's stockholders and in effect at the time of grant, and will be evidenced by, and subject to the terms and conditions of, an award agreement in the form approved by the Board to evidence such type of grant pursuant to this policy. Each Annual Equity Award will vest in equal annual installments over the four-year period following the grant date. Non-employee directors are also entitled to cash dividend and stockholder voting rights with respect to outstanding and unvested restricted stock awards granted under the 2004 Plan.

Annual Equity Awards granted under the 2014 Plan are generally forfeited as to the unvested portion of the award upon the non-employee director's termination of service as a director of the Company for any reason. However, in the event the non-employee director ceases to serve as a director due to his or her mandatory retirement as may be required pursuant to the Company's mandatory retirement policy as then in effect for members of the Board, each Annual Equity Award that is outstanding and otherwise unvested immediately prior to such retirement will generally become immediately vested and nonforfeitable upon the non-employee director's termination of service as a director as a result of such retirement. Annual Equity Awards, to the extent then outstanding and unvested, will become fully vested and nonforfeitable in the event of a Change in Control Event (as such term is defined in the 2014 Plan).

Directors Deferred Compensation Plan

A non-employee director may elect to receive stock units under the Company's Directors Deferred Compensation Plan ("Deferred Compensation Plan") in lieu of cash retainers of Annual Equity Award in the form of restricted shares all in accordance with and subject to the terms and conditions of the Deferred Compensation Plan.

Expense Reimbursement

All non-employee directors will be entitled to reimbursement from the Company for their reasonable travel (including airfare and ground transportation), lodging and meal expenses incident to meetings of the Board or committees thereof or in connection with other Board-related business. The Company will make reimbursement to a non-employee director within a reasonable amount of time following submission by the non-employee director of reasonable written substantiation for the expenses.

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) under Section 302 of the Sarbanes-Oxley Act of 2002

I, Kate W. Duchene, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Resources Connection, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 6, 2023

/s/ KATE W. DUCHENE
Kate W. Duchene
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) under Section 302 of the Sarbanes-Oxley Act of 2002

I, Jennifer Ryu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Resources Connection, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 6, 2023

/s/ JENNIFER RYU
Jennifer Ryu
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended February 25, 2023 of Resources Connection, Inc. (the "Form 10-Q"), I, Kate W. Duchene, President and Chief Executive Officer of Resources Connection, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Resources Connection, Inc.

April 6, 2023

/s/ KATE W. DUCHENE

Kate W. Duchene

President and Chief Executive Officer

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended February 25, 2023 of Resources Connection, Inc. (the “Form 10-Q”), I, Jennifer Ryu, Executive Vice President and Chief Financial Officer of Resources Connection, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Resources Connection, Inc.

April 6, 2023

/s/ JENNIFER RYU

Jennifer Ryu

Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.