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 November 23, 2019

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	**33-0832424**
(State or Other Jurisdiction of Incorporation or Organization)	**(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	**RECN**	**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 ☒

As of December 30, 2019, there were approximately 32,139,918 shares of the registrant's common stock, $0.01 par value per share, outstanding.

RESOURCES CONNECTION, INC.

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PART I — FINANCIAL INFORMATION

ITEM 1. *CONSOLIDATED FINANCIAL STATEMENTS*

RESOURCES CONNECTION, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Amounts in thousands, except par value per share)

	November 23, 2019	May 25, 2019 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,033	$ 43,045
Short-term investments	—	5,981
Trade accounts receivable, net of allowance for doubtful accounts of $2,701 and $2,520 as of November 23, 2019 and May 25, 2019, respectively	137,371	133,304
Prepaid expenses and other current assets	7,725	7,103
Income taxes receivable	1,313	2,224
Total current assets	189,442	191,657
Goodwill	213,332	190,815
Intangible assets, net	23,021	14,589
Property and equipment, net	25,162	26,632
Operating right-of-use assets	39,970	—
Deferred income taxes	1,613	1,497
Other assets	3,812	3,180
Total assets	$ 496,352	$ 428,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 20,057	$ 21,634
Accrued salaries and related obligations	51,835	58,628
Operating lease liabilities, current	11,203	—
Other liabilities	14,828	11,154
Total current liabilities	97,923	91,416
Long-term debt	54,000	43,000
Operating lease liabilities, noncurrent	35,425	—
Deferred income taxes	4,925	5,146
Other long-term liabilities	3,814	6,412
Total liabilities	196,087	145,974
Commitments and contingencies		
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; 63,604 and 63,054 shares issued, and 32,138 and 31,588 shares outstanding as of November 23, 2019 and May 25, 2019, respectively	636	631
Additional paid-in capital	470,427	460,226
Accumulated other comprehensive loss	(13,226)	(12,588)
Retained earnings	358,531	350,230
Treasury stock at cost, 31,466 shares as of November 23, 2019 and May 25, 2019	(516,103)	(516,103)
Total stockholders' equity	300,265	282,396
Total liabilities and stockholders' equity	$ 496,352	$ 428,370

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

RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018
Revenue	$ 184,507	$ 188,799	$ 356,732	$ 367,357
Direct cost of services, primarily payroll and related taxes for professional services employees	110,130	115,378	214,852	225,785
Gross margin	74,377	73,421	141,880	141,572
Selling, general and administrative expenses	53,755	54,959	110,733	111,325
Amortization of intangible assets	1,510	952	2,604	1,907
Depreciation expense	1,424	1,197	2,793	2,266
Income from operations	17,688	16,313	25,750	26,074
Interest expense	551	608	1,033	1,134
Other (income)/expense	(537)	—	(537)	—
Income before provision for income taxes	17,674	15,705	25,254	24,940
Provision for income taxes	5,337	5,141	7,978	8,635
Net income	$ 12,337	$ 10,564	$ 17,276	$ 16,305
Net income per common share:				
Basic	$ 0.39	$ 0.33	$ 0.54	$ 0.51
Diluted	$ 0.38	$ 0.33	$ 0.54	$ 0.50
Weighted average common shares outstanding:				
Basic	31,984	31,721	31,852	31,731
Diluted	32,369	32,446	32,287	32,457
Cash dividends declared per common share	$ 0.14	$ 0.13	$ 0.28	$ 0.26

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

RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Amounts in thousands)

	Three Months Ended		Six Months Ended	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018
COMPREHENSIVE INCOME:				
Net income	$ 12,337	$ 10,564	$ 17,276	$ 16,305
Foreign currency translation adjustment, net of tax	48	(1,426)	(638)	(2,028)
Total comprehensive income	$ 12,385	$ 9,138	$ 16,638	$ 14,277

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

RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands)

	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 25, 2019	63,054	$ 631	$460,226	31,466	$(516,103)	$ (12,588)	$350,230	$ 282,396
Exercise of stock options	172	1	2,250					2,251
Stock-based compensation expense			1,408					1,408
Issuance of common stock under Employee Stock Purchase Plan	215	2	2,597					2,599
Cancellation of restricted stock	(5)	—	—					—
Cash dividends declared ($0.14 per share)							(4,476)	(4,476)
Currency translation adjustment						(686)		(686)
Net income for the three months ended August 24, 2019							4,939	4,939
Balances as of August 24, 2019	63,436	$ 634	$466,481	31,466	$(516,103)	$ (13,274)	$350,693	$ 288,431
Exercise of stock options	85	1	1,215					1,216
Stock-based compensation expense			1,591					1,591
Cash dividends declared ($0.14 per share)							(4,499)	(4,499)
Issuance of common stock in connection with acquisition of Accretive	83	1	1,140					1,141
Currency translation adjustment						48		48
Net income for the three months ended November 23, 2019							12,337	12,337
Balances as of November 23, 2019	63,604	$ 636	$470,427	31,466	$(516,103)	$ (13,226)	$358,531	$ 300,265

	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 26, 2018	61,252	$ 613	$429,578	29,638	$(486,722)	$ (10,385)	$335,741	$ 268,825
Exercise of stock options	186	2	2,407					2,409
Stock-based compensation expense			1,327					1,327
Issuance of common stock under Employee Stock Purchase Plan	166	1	2,177					2,178
Purchase of shares				468	(7,462)			(7,462)
Cash dividends declared ($0.13 per share)							(4,095)	(4,095)
Currency translation adjustment						(602)		(602)
Net income for the three months ended August 25, 2018							5,741	5,741
Balances as of August 25, 2018	61,604	$ 616	$435,489	30,106	$(494,184)	$ (10,987)	$337,387	$ 268,321
Exercise of stock options	565	6	7,998					8,004
Stock-based compensation expense			1,611					1,611
Purchase of shares				339	(5,540)			(5,540)
Cash dividends declared ($0.13 per share)							(4,124)	(4,124)
Currency translation adjustment						(1,426)		(1,426)
Net income for the three months ended November 24, 2018							10,564	10,564
Balances as of November 24, 2018	62,169	$ 622	$445,098	30,445	$(499,724)	$ (12,413)	$343,827	$ 277,410

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

RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Six Months Ended November 23, 2019	Six Months Ended November 24, 2018
Cash flows from operating activities:		
Net income	$ 17,276	$ 16,305
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,397	4,173
Stock-based compensation expense	3,158	3,013
Contingent consideration adjustment	(262)	(37)
Loss on disposal of assets	66	64
Bad debt expense	616	477
Non-cash benefit	(46)	—
Deferred income taxes	(337)	4,620
Changes in operating assets and liabilities, net of effects of business combinations:		
Trade accounts receivable	(1,383)	(17,838)
Prepaid expenses and other current assets	(499)	205
Income taxes	2,070	(3,102)
Other assets	(634)	(1,042)
Accounts payable and accrued expenses	(1,570)	(458)
Accrued salaries and related obligations	(7,380)	(6,121)
Other liabilities	746	1,406
Net cash provided by operating activities	17,218	1,665
Cash flows from investing activities:		
Redemption of short-term investments	5,981	—
Proceeds from sale of assets	105	—
Acquisition of Veracity, net of cash acquired of $2.1 million	(30,293)	—
Purchase of property and equipment	(1,264)	(3,408)
Net cash used in investing activities	(25,471)	(3,408)
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,467	10,413
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,599	2,178
Purchase of common stock	—	(13,002)
Proceeds from Revolving Credit Facility	35,000	—
Repayment on Revolving Credit Facility	(24,000)	(5,000)
Cash dividends paid	(8,581)	(7,887)
Net cash provided by (used in) financing activities	8,485	(13,298)
Effect of exchange rate changes on cash	(244)	(606)
Net decrease in cash	(12)	(15,647)
Cash and cash equivalents at beginning of period	43,045	56,470
Cash and cash equivalents at end of period	$ 43,033	$ 40,823

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

RESOURCES CONNECTION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and six months ended November 23, 2019 and November 24, 2018

1. Description of the Company and its Business

Resources Connection, Inc. ("Resources Connection"), a Delaware corporation, was incorporated on November 16, 1998. The Company's operating entities provide services primarily under the name Resources Global Professionals ("RGP" or the "Company"). RGP is a global consulting firm that enables rapid business outcomes by bringing together the right people to create transformative change. As a human capital partner for its clients, the Company specializes in solving today's most pressing business problems across the enterprise in the areas of Business Strategy & Transformation, Finance & Accounting, Risk & Compliance and Technology & Digital Innovation. The Company has offices in the United States ("U.S."), Asia, Australia, Canada, Europe and Mexico.

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The second quarters of fiscal 2020 and 2019 each consisted of 13 weeks. The Company's fiscal 2020 will consist of 53 weeks.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three and six months ended November 23, 2019 and November 24, 2018 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) the Company considers necessary for a fair presentation of its financial position at such dates and the operating results and cash flows for those periods. The fiscal 2019 year-end balance sheet data was derived from audited financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. ("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 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 financial statements for the year ended May 25, 2019, which are included in the Company's Annual Report on Form 10-K ("Fiscal Year 2019 Form 10-K") which was filed with the SEC on July 19, 2019 (File No. 000-32113).

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements included in the Fiscal Year 2019 Form 10-K. The Company has reviewed its accounting policies, identifying those that it believes to be critical to the preparation and understanding of its consolidated financial statements in the list set forth below. See the disclosure under the heading "Critical Accounting Policies" in Item 7 of Part II of the Fiscal Year 2019 Form 10-K for a detailed description of these policies and their potential effects on the Company's results of operations and financial condition.

- Allowance for doubtful accounts
- Income taxes
- Revenue recognition
- Stock-based compensation
- Valuation of long-lived assets
- Business combinations

Use of Estimates

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.

Net Income Per Share Information

The Company presents both basic and diluted earnings per common 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 and common equivalent shares outstanding during the period, calculated using the treasury stock method for stock options and unvested restricted stock. Under the treasury stock method, assumed proceeds include the amount the employee must pay for exercising stock options and the amount of compensation cost for future services the Company has not yet recognized. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price per common share over the period are anti-dilutive and are excluded from the calculation.

The following table summarizes the calculation of net income per common share for the periods indicated (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018
Net income	$ 12,337	$ 10,564	$ 17,276	$ 16,305
Basic:				
Weighted average shares	31,984	31,721	31,852	31,731
Diluted:				
Weighted average shares	31,984	31,721	31,852	31,731
Potentially dilutive shares	385	725	435	726
Total dilutive shares	32,369	32,446	32,287	32,457
Net income per common share:				
Basic	$ 0.39	$ 0.33	$ 0.54	$ 0.51
Dilutive	$ 0.38	$ 0.33	$ 0.54	$ 0.50
Anti-dilutive shares not included above	4,809	3,248	3,684	3,112

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 fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs.

Contingent consideration liability is for estimated future contingent consideration payments related to the Company's acquisitions. Total contingent consideration liabilities were $8.3 million and $2.2 million as of November 23, 2019 and May 25, 2019, respectively. The fair value measurement of the liability is based on significant inputs not observed in the market and thus represents a Level 3 measurement. The significant unobservable inputs used in the fair value measurement of the contingent consideration liability are the Company's measures of the estimated payouts based on internally generated financial projections and discount rates. The fair value of contingent consideration liability is reassessed on a quarterly basis by the Company using additional information as it becomes available, and any change in the fair value estimates are recorded in selling, general and administrative expenses in the Company's Consolidated Statements of Operations. See Note 3 – Acquisitions and Dispositions.

The Company's short-term investments were $6.0 million as of May 25, 2019. The short-term investments represented commercial papers with original contractual maturities between three months and one year and were considered "held-to-maturity" securities. The investments were measured using quoted prices in markets that are not active (Level 2).

The Company's financial instruments, including cash, accounts receivable, accounts payable, 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.

Recent Accounting Pronouncements Adopted

Effective as of the beginning of fiscal year 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases, ASU No. 2018-10, Codification Improvements to Topic 842 (Leases) and ASU No. 2018-11, Targeted Improvements to Topic 842 (Leases). The guidance is intended to increase transparency and comparability among companies for leasing transactions, including a requirement for companies that lease assets to recognize on their balance sheets the assets and liabilities for the rights and obligations created by those leases. The guidance also provides for disclosures that allow the users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the guidance on May 26, 2019 using the modified retrospective method without restatement of comparative periods. As such, periods prior to the date of adoption are presented in accordance with ASC 840 - Leases. The Company utilized the available practical expedient that allowed the Company to not reassess whether existing contracts contain a lease under the new definition of a lease, the lease classification for existing leases, whether previously capitalized initial direct costs would qualify for capitalization under the new guidance and recognize leases with an initial term of 12 months or less on a straight-line basis without recognizing a right-of-use ("ROU") asset or operating lease liability.

The adoption of this guidance had a material impact on the Consolidated Balance Sheet beginning May 26, 2019 due to the recognition of ROU assets and lease liabilities for the Company's portfolio of operating leases. The adoption of the guidance had an immaterial impact on the Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows for the three and six months ended November 23, 2019.

Additional information and disclosures required by the new standard are contained in Note 5, *Leases*.

3. Acquisitions and Dispositions

Acquisition of Veracity

On July 31, 2019, the Company acquired Veracity Consulting Group, LLC ("Veracity"), a fast-growing, digital transformation firm based in Richmond, Virginia, that delivers innovative solutions to the Fortune 500 and leading healthcare organizations. The acquisition of Veracity is a step in accelerating the Company's stated objective to enhance its digital capabilities and allows the Company to offer comprehensive end-to-end solutions to its clients by combining Veracity's customer-facing offerings with the Company's depth of experience in transforming the back office. The Company paid initial cash consideration of $30.3 million (net of $2.1 million cash acquired). The initial consideration is subject to final adjustments for the impact of the Internal Revenue Code Section 338(h)(10) joint election between the Company and former owners of Veracity and working capital as defined in the purchase agreement.

In addition, the purchase agreement requires earn-out payments to be made based on performance after each of the first and second anniversary of the acquisition date. The Company is obligated to pay the former owners of Veracity contingent consideration if certain earnings before interest, taxes, depreciation and amortization ("EBITDA") requirements are achieved. In determining the fair value of the contingent consideration liability, the Company used the Monte Carlo simulation modeling which included the application of an appropriate discount rate (Level 3 fair value). Each reporting period, the Company will estimate changes in the fair value of contingent consideration and any change in fair value will be recognized in the Company's Consolidated Statements of Operations. The estimate of fair value of contingent consideration requires very subjective assumptions to be made of various potential EBITDA results and discount rates. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and therefore could materially affect the Company's future operating results.

During the quarter ended August 24, 2019, the Company made an initial provisional allocation of the purchase price for Veracity based on the fair value of the assets acquired and liabilities assumed, with the residual amount recorded as goodwill, in accordance with Accounting Standards Codification ("ASC") 805. The Company's initial purchase price allocation considered a number of factors, including the valuation of identifiable intangible assets and contingent consideration. During the three months ended November 23, 2019, the Company adjusted the previously reported provisional allocation of the purchase price to reflect new information, which resulted in changes in expected future performance and cash flows as of the acquisition date.

The following table provides a summary of the provisional purchase price allocation previously reported in the Company's Quarterly Report on Form 10-Q for the quarter ended August 24, 2019 and the remeasured purchase price allocation as of the acquisition date:

Fair value of consideration transferred (in thousands):

	As Previously Reported	Adjustments	As Adjusted
Cash	$ 32,349	$ (35)	$ 32,314
Estimated initial contingent consideration	10,400	(4,110)	6,290
Total	$ 42,749	$ (4,145)	$ 38,604

Recognized provisional amounts of identifiable assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	$ 2,056	$ —	$ 2,056
Accounts receivable	3,413	(114)	3,299
Prepaid expenses and other current assets	116	—	116
Intangible assets:			
Backlog (17 months useful life)	680	530	1,210
Customer relationships (7 years useful life)	11,050	(1,750)	9,300
Trademarks (3 years useful life)	560	10	570
Property and equipment	121	(4)	117
Total identifiable assets	17,996	(1,328)	16,668
Accounts payable	316	(11)	305
Accrued expenses and other current liabilities	712		712
Total liabilities assumed	1,028	(11)	1,017
Net identifiable assets acquired	16,968	(1,317)	15,651
Goodwill	25,781	(2,828)	22,953
Net assets acquired	$42,749	$(4,145)	$38,604

The remeasured purchase price allocation above may be subject to further adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date. A final determination of fair value of assets acquired and liabilities assumed relating to the acquisition could differ from the stated purchase price allocation. As of the acquisition date, the gross contractual amount of accounts receivable of $3.3 million was expected to be fully collected.

As of November 23, 2019, the Company further estimated the change in fair value of contingent consideration from the remeasured value included in the table above. The resulting increase in fair value was $0.2 million, bringing the contingent consideration liability to $6.4 million as of November 23, 2019, of which $3.1 million was included in Other current liabilities and $3.3 million was included in Long-term liabilities in the Consolidated Balance Sheets. The change in fair value of contingent consideration from the remeasurement was recorded in selling, general and administrative expenses in the Consolidated Statement of Operations for the three months ended November 23, 2019.

Results of operations of Veracity are included in the Consolidated Statements of Operations from the date of acquisition. Veracity contributed $5.8 million and $7.2 million to consolidated revenue and $1.2 million and $1.5 million to income from operations in the three and six months ended November 23, 2019, respectively. During the six months ended November 23, 2019, the Company incurred $0.6 million in acquisition costs which were recorded in selling, general and administrative expenses in the Consolidated Statement of Operations.

Prior Period Acquisitions

During fiscal 2018, the Company completed two acquisitions: Taskforce – Management on Demand AG (“Taskforce”) and Accretive Solutions, Inc. (“Accretive”). See Note 3 to the consolidated financial statements included in Part II, Item 8 in the Fiscal Year 2019 Form 10-K for additional detail.

During the three and six months ended November 23, 2019, the Company decreased the remaining estimated contingent consideration payment to the sellers of Taskforce by $0.3 million and $0.4 million, respectively. These amounts were included in selling, general and administrative expenses in the Consolidated Statements of Operations for the respective periods.

In addition, during the three months ended November 23, 2019, the Company reached a final settlement on a pre-acquisition claim with the seller of Accretive. As a part of the settlement, the Company issued 82,762 shares of common stock to the seller and received $0.6 million in cash from the escrow. The resulting gain of $0.5 million was included in Other (income) expense in the Consolidated Statements of Operations.

Dispositions

On September 2, 2019, the Company completed the sale of certain assets and liabilities of its foreign subsidiary, Resources Global Professionals Sweden AB, to Capacent Holding AB (publ), a Swedish public company, for SEK1,016,862 (approximately $105,000) in cash, after the final purchase price adjustment, resulting in a loss on sale of assets of approximately $38,000. As a part the sale, the Company transferred the majority of its local customer contracts, the existing office lease as well as all of its employee consultants. The Company expects to continue to serve its global client base in the Sweden market. In addition, during the first quarter of fiscal 2020, the Company substantially exited the Belgium market. The Company expects to complete the remaining exit activities in Belgium during the third quarter of fiscal 2020, including an analysis of the potential tax benefits that may result from the exit activities.

As a result of the foregoing sale of assets and exit activities, the Company incurred costs of approximately $0.7 million for the three and six months ended November 23, 2019, primarily related to employee termination benefits.

Neither the Sweden nor the Belgium markets were considered strategic components of the Company's operations.

4. Intangible Assets and Goodwill

The following table summarizes details of the Company's intangible assets and related accumulated amortization (amounts in thousands):

	As of November 23, 2019			As of May 25, 2019		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer contracts and relationships (3-8 years)	$23,765	$ (4,922)	$18,843	$14,495	$ (3,439)	$11,056
Tradenames (3-10 years)	4,946	(2,116)	2,830	4,407	(1,563)	2,844
Backlog (17 months)	1,210	(258)	952	—	—	—
Consultant list (3 years)	770	(585)	185	783	(462)	321
Non-compete agreements (3 years)	880	(669)	211	896	(528)	368
Total	$31,571	$ (8,550)	$23,021	$20,581	$ (5,992)	$14,589

The Company recorded amortization expense of $1.5 million and $1.0 million for the three months ended November 23, 2019 and November 24, 2018, respectively, and $2.6 million and $1.9 million for the six months ended November 23, 2019 and November 24, 2018, respectively.

The following table summarizes future estimated amortization expense related to intangible assets (in thousands):

	Fiscal Years Ending				
	2020	2021	2022	2023	2024
Expected amortization expense	$5,699	$4,506	$3,289	$3,136	$3,100

The estimates of future intangible asset amortization expense do not incorporate the potential impact of future currency fluctuations when translating the financial results of the Company's international operations that have amortizable intangible assets into U.S. dollars.

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

	November 23, 2019	November 24, 2018
Goodwill, beginning of year	$ 190,815	$ 191,950
Acquisitions- (see Note 3)	22,953	—
Impact of foreign currency exchange rate changes	(436)	(778)
Goodwill, end of period	$ 213,332	$ 191,172

5. Leases

The Company currently leases office space, vehicles and certain equipment under operating leases expiring through 2028. Operating leases include fixed payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases require variable payments of common area maintenance, operating expenses and real estate taxes applicable to the property. Variable payments are excluded from the measurements of lease liabilities and are expensed as incurred. Any tenant improvement allowances received from the lessor are recorded as a reduction to rent expense over the term of the lease. No lease agreements contain any residual value guarantees or material restrictive covenants.

Certain of the Company's leases include one or more options to renew or terminate the lease at the Company's discretion. Generally, the renewal and termination options are not included in the right-of-use assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates lease renewal and termination options and when they are reasonably certain of exercise, includes the renewal or termination option in the lease term.

The Company measures the lease liability for each leased asset at the present value of lease payments, as defined in ASC 842, discounted using an incremental borrowing rate. As most of the Company's leases do not provide an implicit interest rate, the Company utilizes its incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of lease payments. The Company has a centrally managed treasury function; therefore, a portfolio approach is applied in determining the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a fully collateralized basis over a similar term in an amount equal to the total lease payments in a similar economic environment. The Company's right-of-use assets are equal to the lease liabilities, adjusted for lease incentives received, including tenant improvement allowances, deferred rent, and prepayments made to the lessor.

In some instances, the Company subleases excess office space to third party tenants. The Company does not recognize liabilities or ROU assets for leases with an initial term of 12 months or less.

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

	Three Months Ended November 23, 2019	Six Months Ended November 23, 2019
Operating lease cost	$ 3,036	$ 6,116
Short-term lease cost	120	198
Variable lease cost	596	1,200
Sublease income	(185)	(306)
Total lease cost	$ 3,567	$ 7,208

Supplemental cash flow information related to the Company's operating leases were as follows (in thousands):

	Six Months Ended November 23, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 6,559
Right-of-use assets obtained in exchange for lease obligations	$ 4,384

The weighted average remaining lease term and weighted average discount rate for our operating leases were as follows:

	As of November 23, 2019
Weighted average remaining lease term	4.7 years
Weighted average discount rate	4.12%

The maturities of operating lease liabilities were as follows as of November 23, 2019 (in thousands):

Years Ending:		Operating Lease Maturity
May 30, 2020 (excluding the six months ended November 23, 2019)	$	6,492
May 29, 2021		12,412
May 28, 2022		10,711
May 27, 2023		8,378
May 25, 2024		6,913
Thereafter		6,432
Total operating lease payments	$	51,338
Less: Imputed interest		(4,710)
Present value of operating lease liabilities	$	46,628

6. Income Taxes

The Company's provision for income taxes was $5.3 million (effective tax rate of approximately 30%) and $5.1 million (effective tax rate of approximately 33%) for the three months ended November 23, 2019 and November 24, 2018, respectively and $8.0 million (effective tax rate of approximately 32%) and $8.6 million (effective tax rate of approximately 35%) for the six months ended November 23, 2019 and November 24, 2018, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

The provision for income taxes in the three and six months ended November 23, 2019 and November 24, 2018 results from taxes on income in the U.S. and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. The provision for income taxes increased while the effective tax rate decreased for the three months ended November 23, 2019 compared to the prior year quarter because of improved global pre-tax income. In the six months ended November 23, 2019, the provision for income taxes decreased as compared to the six months ended November 24, 2018 because of lower international related taxes and fewer stock option expirations.

The Company recognized a tax benefit of approximately $0.3 million and $0.1 million during the second quarters of fiscal 2020 and fiscal 2019, respectively, and a tax benefit of $0.7 million and $0.1 million during the six months of fiscal 2020 and fiscal 2019, respectively, related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the Employee Stock Purchase Plan ("ESPP").

7. Long-Term Debt

The Company has a $120 million secured revolving credit facility ("Facility") with Bank of America, consisting of (i) a $90 million revolving loan facility ("Revolving Loan"), which includes a $5 million sublimit for the issuance of standby letters of credit, and (ii) a $30 million reducing revolving loan facility ("Reducing Revolving Loan"), any amounts of which may not be reborrowed after being repaid. The Facility is available for working capital and general corporate purposes, including potential acquisitions and stock repurchases. The Company's obligations under the Facility are guaranteed by all of the Company's domestic subsidiaries and secured by essentially all assets of the Company, Resources Connection LLC and their respective domestic subsidiaries, subject to certain customary exclusions. Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) a London Interbank Offered Rate ("LIBOR") defined in the Facility plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus a margin of 0.25% or 0.50%, with the applicable margin depending on the Company's consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. The Company pays an unused commitment fee on the average daily unused portion of the Facility at a rate of 0.15% to 0.25% depending upon on the Company's consolidated leverage ratio. The Facility expires October 17, 2021.

The Facility 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 Facility requires the Company to comply with financial covenants limiting the Company's total funded debt, minimum interest coverage ratio and maximum leverage ratio. The Company was in compliance with all financial covenants under the Facility as of November 23, 2019.

Upon the occurrence of an event of default under the Facility, the lender may cease making loans, terminate the Facility and declare all amounts outstanding to be immediately due and payable. The Facility specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults.

The Company's borrowings on the Facility were $54.0 million as of November 23, 2019, all of which were under the Revolving Loan. In addition, the Company had $1.5 million of outstanding letters of credit issued under the Revolving Loan as of November 23, 2019. The Company has $34.5 million remaining to borrow under the Revolving Loan and $30.0 million remaining under the Reducing Revolving Loan as of November 23, 2019. As of November 23, 2019, the interest rate on the Company's borrowings were as follows (amounts in thousands, except percentages):

Principal Balance	Base Rate	Libor Rate		Interest Rate
$ 5,000	1.25%	3-month	1.90%	3.15%
25,000	1.25%	6-month	1.93%	3.18%
24,000	1.50%	6-month	2.21%	3.71%
$ 54,000				

8. Stockholders' Equity

Stock Repurchase Program

In July 2015, the Company's board of directors approved a stock repurchase program (the "July 2015 program"), authorizing the repurchase, at the discretion of the Company's senior executives, of the Company's common stock for an aggregate dollar limit not to exceed $150 million. 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. The Company did not repurchase shares during the three or six months ended November 23, 2019. As of November 23, 2019, approximately $90.1 million remained available for future repurchases of the Company's common stock under the July 2015 program.

Quarterly Dividend

Subject to approval each quarter by its board of directors, the Company pays a regular quarterly cash dividend. On October 15, 2019 the Company's board of directors declared a quarterly cash dividend of $0.14 per common share. The dividend of approximately $4.5 million was paid on December 10, 2019 to the holders of record on November 12, 2019 and is accrued in the Company's Consolidated Balance Sheet as of November 23, 2019.

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 Company's current credit agreements and other agreements, and other factors deemed relevant by the board of directors.

9. Supplemental Disclosure of Cash Flow Information

The following table presents information regarding income taxes paid, interest paid and non-cash investing and financing activities (amounts in thousands):

	Six Months Ended	
	November 23, 2019	November 24, 2018
Income taxes paid	$ 6,394	$ 6,778
Interest paid	$ 1,140	$ 1,227
Non-cash investing and financing activities:		
Capitalized leasehold improvements paid directly by landlord	$ 59	$ 255
Acquisition of Veracity:		
Liability for contingent consideration	$ 6,440	$ —
Acquisition of Accretive:		
Issuance of common stock	$ 1,141	$ —
Dividends declared, not paid	$ 4,499	$ 4,124

10. Stock-Based Compensation Plans

General

Executive officers and employees, as well as non-employee directors of the Company and certain consultants and advisors to the Company, are eligible to participate in the Company's 2014 Performance Incentive Plan ("2014 Plan"). The 2014 Plan was approved by stockholders on October 23, 2014 and replaced and succeeded in its entirety the Resources Connection, Inc. 2004 Performance Incentive Plan and the 1999 Long Term Incentive Plan. As of November 23, 2019, 719,000 shares were available for award grant purposes under the 2014 Plan, subject to future increases as described in 2014 Plan.

Awards under the 2014 Plan may include, but are not limited to, stock options, restricted stock units and restricted stock grants, including restricted stock units under the Company's Directors Deferred Compensation Plan. Stock option grants generally vest in equal annual installments over four years and terminate ten years from the date of grant. Restricted stock award vesting is determined on an individual grant basis. Awards of restricted stock under the 2014 Plan will be counted against the available share limit as two and a half shares for every one share actually issued in connection with the award. The Company's policy is to issue shares from its authorized shares upon the exercise of stock options.

Stock Options and Restricted Stock

The following table summarizes the stock option activity for the six months ended November 23, 2019 (number of shares under option and aggregate intrinsic value in thousands):

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at May 25, 2019	6,029	$ 15.95	6.06	$ 5,482
Granted, at fair market value	1,278	17.43		
Exercised	(257)	13.51		
Forfeited	(335)	17.33		
Expired	(54)	17.11		
Outstanding at November 23, 2019	6,661	$ 16.25	6.30	$ 3,841
Exercisable at November 23, 2019	4,067	$ 15.46	4.44	$ 3,747
Vested and expected to vest at November 23, 2019	6,311	$ 16.16	6.06	$ 3,838

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company's closing stock price on the last trading day of the second quarter of fiscal 2020 and the exercise price multiplied by the number of shares that would have been received by the option holders if they had exercised their "in the money" options on November 23, 2019. This amount will change based on changes in the fair market value of the Company's common stock. The total pre-tax intrinsic value related to stock options exercised during the three months ended November 23, 2019 and November 24, 2018 was $0.2 million and $2.3 million, respectively, and during the six months ended November 23, 2019 and November 24, 2018 was $0.8 million and $3.1 million, respectively. As of November 23, 2019, there was $10.3 million of total unrecognized compensation cost related to unvested employee stock options granted. That cost is expected to be recognized over a weighted-average period of 2.0 years.

The Company did not grant any shares of restricted stock during either the six months ended November 23, 2019 or November 24, 2018. As of November 23, 2019, there were 198,032 unvested restricted shares, including stock units under the Directors Deferred Compensation Plan, with approximately $1.9 million of remaining unrecognized compensation cost.

Stock-Based Compensation Expense

Stock-based compensation expense included in selling, general and administrative expenses was $1.6 million and $1.7 million for the three months ended November 23, 2019 and November 24, 2018, respectively, and $3.2 million and $3.0 million for the six months ended November 23, 2019 and November 24, 2018, respectively. These amounts consisted of stock-based compensation expense related to employee stock options, employee stock purchases made via the ESPP, restricted stock awards and stock units credited under the Directors Deferred Compensation Plan. The Company recognizes compensation expense for only the portion of stock options and restricted stock that is expected to vest, rather than recording forfeitures when they occur. If the actual number of forfeitures differs from that estimated by management, additional adjustments to compensation expense may be required in future periods. There were no capitalized share-based compensation costs during the six months ended November 23, 2019 or November 24, 2018.

Employee Stock Purchase Plan

On October 15, 2019, the Company's stockholders approved the 2019 ESPP. The maximum number of shares of the Company's common stock authorized for issuance under the plan is 1,825,000. The remaining 6,000 unissued shares under the 2014 ESPP are no longer available for issuance.

The 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 ESPP's term expires July 16, 2029. The Company issued 215,000 and 358,000 shares of common stock pursuant to the ESPP during the six months ended November 23, 2019 and the year ended May 25, 2019, respectively. There were 1,825,000 shares of common stock available for issuance under the ESPP as of November 23, 2019.

11. Segment Information and Enterprise Reporting

The Company discloses information regarding operations outside of the U.S. The Company operates as one segment. The accounting policies for the domestic and international operations are the same as those described in Note 2 — *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in the Company's Fiscal Year 2019 Form 10-K. Summarized information regarding the Company's domestic and international operations is shown in the following table (amounts in thousands):

	Revenue for the Three Months Ended		Revenue for the Six Months Ended		Long-Lived Assets (1) as of	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018	November 23, 2019	May 25, 2019
United States	$ 149,051	$ 148,901	$ 286,048	$ 290,130	$ 262,922	$200,385
International	35,456	39,898	70,684	77,227	38,563	31,651
Total	$ 184,507	$ 188,799	$ 356,732	$ 367,357	$ 301,485	$232,036

(1) Long-lived assets are comprised of goodwill, intangible assets and property and equipment. Long-lived assets as of November 23, 2019 included the Company's operating right-of-use assets which were added as a result of the Company's adoption of ASC 842 Leases. See Note 5 — *Leases.*

12. Legal Proceedings

The Company is involved in certain legal matters arising in the ordinary course of business. In the opinion of management, all such matters, if disposed of unfavorably, would not have a material adverse effect on the Company's financial position, cash flows or results of operations.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and accompanying notes. This discussion and analysis contains "forward-looking statements," within the meaning of Section 27A of the "Securities Act of 1933, as amended" (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to expectations concerning matters that are not historical facts. 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. 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. You are urged to review carefully the disclosures we make concerning risks, uncertainties and other factors that may affect our business or operating results included our Annual Report on Form 10-K for the year ended May 25, 2019 (File No. 000-32113) and our other public filings made with the Securities and Exchange Commission ("SEC"). 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 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 Connection," "RGP," "Resources Global Professionals," the "Company," "we," "us," and "our" refer to Resources Connection, Inc. and its subsidiaries.

Overview

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

RGP was founded in 1996 to help finance executives with operational and special project needs. Our first-to-market, agile human capital model quickly aligns the right resources for the work at hand with speed and efficiency. Our pioneering approach to workforce strategy uniquely positions us to support our clients on their transformation journeys. With more than 4,000 professionals, we annually engage with over 2,400 clients around the world from more than 70 practice offices.

To achieve our objective of being the premier provider of agile consulting services for companies facing transformation, change and compliance challenges, we have developed the following business strategies:

- *Hire and retain highly qualified, experienced consultants.* We believe our highly qualified, experienced consultants provide us with a distinct competitive advantage. Therefore, one of our priorities is to continue to attract and retain high-caliber consultants who are committed to solving problems.
- *Maintain our distinctive culture.* Our corporate culture is the foundation of our business strategy and we believe it has been a significant component of our success. We believe our culture, "LIFE AT RGP", representing Loyalty, Integrity, Focus, Enthusiasm, Accountability and Talent, has created a circle of quality; our culture is instrumental to our success in hiring and retaining highly qualified employees who, in turn, attract quality clients.
- *Build consultative relationships with clients.* We emphasize a relationship-oriented approach to business rather than a transaction-oriented or assignment-oriented approach. We believe the professional services experience of our management and consultants enables us to understand the needs of our clients and deliver an integrated, relationship-based approach to meeting those needs. Client relationships and needs are addressed from a client, not office, perspective. We regularly meet with our existing and prospective clients to understand their business issues and help them define their project needs.
- *Build the RGP brand.* We want to be the preferred provider in the future of work. Our primary means of building our brand is by consistently providing high-quality, value-added services to our clients. We have also focused on building a significant referral network. In addition, we have global, regional and local marketing efforts that reinforce the RGP brand.

Through fiscal 2019, we completed various initiatives including cultivating a more robust sales culture, adopting a new operating model for sales, talent and delivery in North America, refreshing the RGP brand, establishing digital innovation functions focused on building and commercializing our digital engagement platform, enhancing our consulting capabilities in the digital transformation space, and building and commercializing digital product offerings.

To achieve a more robust sales culture, we aligned our sales process using tools such as Salesforce.com, established an enterprise-wide business development function, and implemented a new incentive compensation program for individuals focused on profitable revenue generation and gross margin. Finally, to complete this initiative, we expanded our Strategic Client Program, which involves dedicated account teams for certain high-profile clients with global operations.

Under the new operating model in North America, we realigned reporting relationships, largely defined by functional area rather than on an office location basis. We reorganized our Advisory and Project Services function, a team of seller-doer professionals whose primary responsibility is to shepherd sales pursuits and engagement delivery on our more complex projects. We believe this team deepens the scoping conversation, achieves value-oriented pricing and improves delivery management through greater accountability and a more seamless customer experience. While we believe these efforts have already delivered improved revenue growth and improved customer experience throughout fiscal 2019, we are focused on continued improvement from this initiative into fiscal 2020.

In fiscal 2019, we launched a brand refresh which emphasizes a human centered approach in how we serve our clients and engage with our consultants. We believe the development of our new brand will support future revenue growth.

Our digital innovation initiatives are additional strategic components of our growth. In July 2019, we acquired Veracity Consulting Group, LLC (“Veracity”), a full-service digital transformation firm based in Richmond, Virginia. Veracity delivers innovative solutions to the Fortune 500 and leading healthcare organizations. We believe this acquisition will further our growth objective by allowing us to offer comprehensive end-to-end solutions to clients by combining Veracity’s customer-facing offerings with our depth of experience in implementation (see Note 3 — *Acquisitions and Dispositions*).

In fiscal 2020, we will continue to focus on our growth strategy by further investing in our brand and digital innovation, as well as further refining our operating model and optimizing our systems and structure. After a thorough review of our European operations, we divested our business in Resources Global Professionals Sweden AB (“RGP Sweden”) and substantially exited the Belgium market during the first quarter of fiscal 2020, The Company expects to complete the remaining exit activities in Belgium during the third quarter of fiscal 2020, including an analysis of the potential tax benefits that may result from the exit activities (see Note 3 — *Acquisitions and Dispositions*).

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”). The preparation of these financial statements requires us to make estimates and judgments 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.

Except for the adoption of Accounting Standards Codification (“ASC”) 842 as described in Item 1, 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 in our Annual Report on Form 10-K for the year ended May 25, 2019.

Results of Operations

The following tables set forth, for the periods indicated, our Consolidated Statements of Operations data. These historical results are not necessarily indicative of future results.

	Three Months Ended		Six Months Ended	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018
	(Amounts in thousands)			
Revenue	$ 184,507	$ 188,799	$ 356,732	$ 367,357
Direct cost of services	110,130	115,378	214,852	225,785
Gross margin	74,377	73,421	141,880	141,572
Selling, general and administrative expenses	53,755	54,959	110,733	111,325
Amortization of intangible assets	1,510	952	2,604	1,907
Depreciation expense	1,424	1,197	2,793	2,266
Income from operations	17,688	16,313	25,750	26,074
Interest expense	551	608	1,033	1,134
Other (income)/expense	(537)	—	(537)	—
Income before provision for income taxes	17,674	15,705	25,254	24,940
Provision for income taxes	5,337	5,141	7,978	8,635
Net income	$ 12,337	$ 10,564	$ 17,276	$ 16,305

We also assess the results of our operations using Adjusted EBITDA and Adjusted EBITDA Margin. We define Adjusted EBITDA as net income before amortization of intangible assets, depreciation expense, interest and income taxes plus stock-based compensation expense and plus or minus contingent consideration adjustments. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenue. These measures assist management in assessing our core operating performance. The following table presents Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated and includes a reconciliation of such measures to net income, the most directly comparable GAAP financial measure:

	Three Months Ended		Six Months Ended	
	November 23, 2019	November 24, 2018	November 23, 2019	November 24, 2018
	(Amounts in thousands, except percentages)			
Net income	$ 12,337	$ 10,564	$ 17,276	$ 16,305
Adjustments:				
Amortization of intangible assets	1,510	952	2,604	1,907
Depreciation expense	1,424	1,197	2,793	2,266
Interest expense	551	608	1,033	1,134
Provision for income taxes	5,337	5,141	7,978	8,635
Stock-based compensation expense	1,643	1,652	3,158	3,013
Contingent consideration adjustment	(131)	(130)	(262)	(33)
Adjusted EBITDA	$ 22,671	$ 19,984	$ 34,580	$ 33,227
Revenue	$ 184,507	$ 188,799	$ 356,732	$ 367,357
Adjusted EBITDA Margin	12.3%	10.6%	9.7%	9.0%

The financial measures and key performance indicators we use to assess our financial and operating performance above 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 measure so calculated and presented.

Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. We believe Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to our investors because they are financial measures used by management to assess the core performance of the Company. Adjusted EBITDA and Adjusted EBITDA Margin are not measurements of financial performance or liquidity under GAAP and should not be considered in isolation or construed as substitutes for net income or other cash flow data prepared in accordance with GAAP for purposes of analyzing our profitability or liquidity. These measures should be considered in addition to, and not as a substitute for, net income, earnings per share, cash flows or other measures of financial performance prepared in conformity with GAAP.

Further, Adjusted EBITDA and Adjusted EBITDA Margin have the following limitations:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Equity based compensation is an element of our long-term incentive compensation program, although we exclude it as an expense from Adjusted EBITDA when evaluating our ongoing operating performance for a particular period;
- We exclude the changes in the fair value of the contingent consideration obligation related to business acquisitions from Adjusted EBITDA; and
- Other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDA Margin differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA and Adjusted EBITDA Margin should not be considered a substitute for performance measures calculated in accordance with GAAP.

Three Months Ended November 23, 2019 Compared to Three Months Ended November 24, 2018

Percentage change computations are based upon amounts in thousands.

Revenue. Revenue decreased $4.3 million, or 2.3%, to $184.5 million for the three months ended November 23, 2019 from $188.8 million for the three months ended November 24, 2018. On a constant currency basis, revenue decreased 1.9%. The decrease in revenue reflects the impact of less hours worked. Total hours worked during the three months ended November 23, 2019 decreased 2.0% compared to prior year quarter, while average bill rates for the three months ended November 23, 2019 had a slight decrease compared to prior year period. The decrease in hours worked in the second quarter of fiscal 2020 reflected the impact of the wind-down of technical accounting implementation projects in North America as well as the exit from the Nordics and Belgium markets, partially offset by the addition of hours worked from Veracity and the favorable impact due to the timing of Thanksgiving holidays.

Revenue in the second quarter of fiscal 2020 included $5.8 million of revenue attributable to Veracity.

As presented in the table below, revenue decreased in the first three months of fiscal 2020 compared to the same period of fiscal 2019 in North America and Europe while revenue increased in Asia Pacific (dollars in thousands):

	Revenue for the Three Months Ended				
	November 23, 2019		November 24, 2018		% Change
North America	$ 152,422	82.6%	$ 153,823	81.5%	(0.9)%
Europe	19,369	10.5	23,163	12.3	(16.4)%
Asia Pacific	12,716	6.9	11,813	6.2	7.6%
Total	$ 184,507	100%	$ 188,799	100.0%	(2.3)%

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar ("U.S. dollar"). Revenues denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates in effect during each period. Thus, as the value of the U.S. dollar strengthens relative to the currencies of our non-U.S. based operations, our translated revenue (and expenses) will be lower; conversely, if the value of the U.S. dollar weakens relative to the currencies of our non-U.S. based operations, our translated revenue (and expenses) will be higher. Using the comparable fiscal 2019 second quarter conversion rates, international revenues would have been higher than reported under GAAP by approximately $0.7 million in the second quarter of fiscal 2020. Using these constant currency rates, which we believe provides a more comprehensive view of trends in our business, our revenue decreased in North America and Europe by 0.9% and 13.1%, respectively, and increased in Asia Pacific by 7.1% during the second quarter of fiscal 2020.

The number of consultants on assignment as of November 23, 2019 was 3,072 compared to 3,389 consultants engaged as of November 25, 2018. We operated 72 (23 abroad) offices as of November 23, 2019 and 74 (26 abroad) as of November 24, 2018.

Our clients do not sign long-term contracts with us. As such, there can be no assurance as to future demand levels for the services we provide or that future results can be reliably predicted by considering past trends.

Direct Cost of Services. Direct cost of services decreased $5.3 million, or 4.5%, to $110.1 million for the three months ended November 23, 2019 from $115.4 million for the three months ended November 24, 2018. The decrease in the amount of direct cost of services between periods was primarily attributable to a decrease of 2.0% in the number of hours worked and a decrease of 1.6% in the average pay rate per hour between the two quarters.

Direct cost of services as a percentage of revenue was 59.7% and 61.1% for the three months ended November 23, 2019 and November 24, 2018, respectively. The direct cost of services as a percentage of revenue improved in the second quarter of fiscal 2020 compared to prior year quarter primarily due to an improvement in the Company’s bill/pay ratio as well as a decrease in holiday pay for consultants in the U.S. (second quarter of fiscal 2020 included only Labor Day while the second quarter of fiscal 2019 included Labor Day and Thanksgiving).

Our target direct cost of services percentage is 60% in all of our markets.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (“SG&A”) as a percentage of revenue was 29.1% for both the three months ended November 23, 2019 and November 24, 2018. SG&A was $53.8 million for the second quarter of fiscal 2020 and $55.0 million for the comparable prior year period. The year-over-year decrease is primarily attributable to: (1) a $2.5 million decrease in incentive compensation as a result of the decrease in second quarter revenue, (2) a $0.9 million decrease in business expenses as management continues to closely manage discretionary spend and (3) $0.8 million less in severance expense, partially offset by $2.9 million in additional payroll and benefit costs due to additional headcount related to project delivery and digital transformation efforts, including Veracity.

Management and administrative headcount was 962 at the end of the second quarter of fiscal 2020 and 912 at the end of the second quarter of fiscal 2019.

Sequential Operations. On a sequential quarter basis, fiscal 2020 second quarter revenues increased approximately 7.1% (7.3% constant currency), from $172.2 million to $184.5 million. Second quarter revenue includes a full quarter of Veracity and reflects active pipeline management and business development coupled with fewer holidays in the U.S. as well as seasonal impact (second quarter of fiscal 2020 included Labor Day while the first quarter of fiscal 2020 included Memorial Day and July 4th holidays in the U.S. and summer holiday breaks taken by our consultants), resulting in a 6.2% increase in hours worked. Average bill rates increased 0.8% from the first quarter. The Company’s sequential revenue increased in North America and Europe by 8.6% and 3.2% respectively and decreased in Asia Pacific by 2.8%. On a constant currency basis, using the comparable first quarter fiscal 2020 conversion rates, sequential revenue increased in North America (8.6%), Europe (4.0%) and decreased in Asia Pacific (1.9%). Asia Pacific revenue decreased due to the week-long holidays in both Japan and China, two of the Company’s largest markets in Asia.

Direct cost of services as a percentage of revenue was 59.7% and 60.8% in the second quarter of fiscal 2020 and first quarter of fiscal 2020, respectively. The decrease in the direct cost of services percentage in the second quarter of 2020 is primarily due to a decrease in holiday pay for consultants in the U.S. as a result of fewer holidays (Labor Day in the second quarter of fiscal 2020 compared to the Memorial Day and July 4th holidays in the first quarter) as well as lower payroll taxes.

SG&A as a percentage of revenue was 29.1% for the second quarter of fiscal 2020 compared to 33.1% for the first quarter of fiscal 2020. SG&A in the second quarter decreased $3.2 million to $53.8 million from $57.0 million in the previous quarter. The primary reasons for the decrease were: (1) severance cost of $0.4 million in the first quarter related to a former officer of the Company, (2) $0.7 million of costs related to exit activities in Sweden and Belgium in the first quarter, (3) $0.6 million of acquisition costs related to Veracity in the first quarter, (4) $0.5 million in retention bonuses in the first quarter and (5) a decrease of $0.7 million in business expenses as management continues to closely manage discretionary spend.

Amortization and Depreciation Expense. Amortization of intangible assets was $1.5 million and $1.0 million in the second quarter of fiscal 2020 and fiscal 2019, respectively. The increase in amortization expense is primarily due to the amortization of identifiable intangible assets acquired from Veracity during the first quarter of fiscal 2020.

Depreciation expense was $1.4 million and $1.2 million in the second quarter of fiscal 2020 and fiscal 2019, respectively. The increase is primarily the result of depreciation of our fiscal 2019 investments in new office furniture and fixtures as we transition to an open office footprint to enhance the ability to internally collaborate.

Interest Expense. Interest expense was approximately $0.6 million in the second quarters of fiscal 2020 and fiscal 2019.

Income Taxes. The Company's provision for income taxes was $5.3 million (effective tax rate of approximately 30%) and $5.1 million (effective tax rate of approximately 33%) for the three months ended November 23, 2019 and November 24, 2018, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

The provision for income taxes in the three months ended November 23, 2019 and November 24, 2018 results from taxes on income in the U.S. and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. The provision for income taxes increased for the three months ended November 23, 2019 compared to the prior year quarter because of improved global income.

The Company recognized a tax benefit of approximately $0.3 million and $0.1 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the second quarter of fiscal 2020 and fiscal 2019, respectively.

Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. There can be no assurance that the Company's 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 eligible disqualifying incentive stock options exercises.

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 II, Item 1A.—Risk Factors of our Annual Report on Form 10-K for the year ended May 25, 2019. 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.

Six Months Ended November 23, 2019 Compared to Six Months Ended November 24, 2018

Percentage change computations are based upon amounts in thousands.

Revenue. Revenue decreased $10.7 million, or 2.9%, to $356.7 million for the six months ended November 23, 2019 from $367.4 million for the six months ended November 24, 2018. On a constant currency basis, revenue decreased 2.4%. Revenue in the first half of fiscal 2020 included $7.2 million of revenue in North America attributable to Veracity and reflected the impact of the Company exiting the Sweden and Belgium markets and the wind-down of technical accounting implementation projects.

As presented in the table below, revenue decreased in the first six months of fiscal 2020 compared to the same period of fiscal 2019 in North America and Europe while revenue increased in Asia Pacific (dollars in thousands):

	Revenue for the Six Months Ended				
	November 23, 2019		November 24, 2018		% Change
North America	$ 292,798	82.1%	$ 299,994	81.7%	(2.4)%
Europe	38,132	10.7	43,847	11.9	(13.0)%
Asia Pacific	25,802	7.2	23,516	6.4	9.7%
Total	$ 356,732	100.0%	$ 367,357	100.0%	(2.9)%

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. Revenues denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates in effect during each period. Thus, as the value of the U.S. dollar strengthens relative to the currencies of our non-U.S. based operations, our translated revenue (and expenses) will be lower; conversely, if the value of the U.S. dollar weakens relative to the currencies of our non-U.S. based operations, our translated revenue (and expenses) will be higher. Using the comparable fiscal 2019 conversion rates, international revenues would have been higher than reported under GAAP by approximately $1.6 million in the first six months of fiscal 2020. Using these constant currency rates, which we believe provides a more comprehensive view of trends in our business, our revenue decreased in North America and Europe by 2.4% and 9.5%, respectively, and increased in Asia Pacific by 10.0% during the first six months of fiscal 2020.

Direct Cost of Services. Direct cost of services decreased $10.9 million, or 4.8%, to $214.9 million for the six months ended November 23, 2019 from $225.8 million for the six months ended November 24, 2018. The decrease in the amount of direct cost of services between periods was primarily attributable to a decrease of 2.0% in the number of hours worked as well as a decrease of 2.4% in the average pay rate per hour between the two periods.

Direct cost of services as a percentage of revenue was 60.2% and 61.5% for the six months ended November 23, 2019 and November 24, 2018, respectively. The direct cost of services as a percentage of revenue improved in fiscal 2020 primarily due to an improvement in the Company's bill/pay ratio compared to the prior year period as well as a decrease in holiday pay for consultants due to fewer holidays in the U.S. (first half of fiscal 2020 included two less holidays due to the timing of the Thanksgiving holiday).

Our target direct cost of services percentage is 60% in all our markets.

Selling, General and Administrative Expenses. SG&A as a percentage of revenue was 31.0% and 30.3% for the six months ended November 23, 2019 and November 24, 2018, respectively. SG&A was $110.7 million for the first half of fiscal 2020 and $111.3 million for the comparable prior year period. The year over year decrease is primarily attributable to: (1) a decrease of $3.3 million in incentive compensation expense as a result of the decrease in revenue during the first six months of fiscal 2020, (2) a decrease of $1.3 million in transformation and system implementation costs, and (3) a decrease of $1.2 million in business expenses as management continues to closely manage discretionary spend, partially offset by an increase of $4.3 million in payroll and benefits due to additional headcount related to project delivery and digital transformation efforts, including Veracity and $0.8 million of acquisition costs in the first half of fiscal 2020.

Amortization and Depreciation Expense. Amortization of intangible assets was $2.6 million and $1.9 million in the first six months of fiscal 2020 and fiscal 2019, respectively. The increase in amortization expense is primarily due to the amortization of identifiable intangible assets acquired during the first quarter of fiscal 2020 from Veracity.

Depreciation expense was $2.8 million and $2.3 million in the first six months of fiscal 2020 and fiscal 2019, respectively. The increase is primarily the result of depreciation of our fiscal 2019 investments in new office furniture and fixtures as we transition to an open office footprint to enhance the ability to internally collaborate.

Interest Expense. Interest expense for the first half of fiscal 2020 was approximately $1.0 million compared to $1.1 million in the same period of fiscal 2019.

Income Taxes. The Company's provision for income taxes was $8.0 million (effective tax rate of approximately 32%) and $8.6 million (effective tax rate of approximately 35%) for the six months ended November 23, 2019 and November 24, 2018, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

The provision for income taxes in the six months ended November 23, 2019 and November 24, 2018 results from taxes on income in the U.S. and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. The provision for income taxes decreased for the six months ended November 23, 2019 compared to the prior year quarter because of lower international related taxes and fewer stock expirations.

The Company recognized a tax benefit of approximately $0.7 million and $0.1 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the first half of fiscal 2020 and fiscal 2019, respectively.

Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. There can be no assurance that the Company's 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 eligible disqualifying incentive stock options exercises.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by our operations, our $120 million secured revolving credit facility (“Facility”) with Bank of America and, historically, to a lesser extent, stock option exercises and ESPP purchases. We have generated annual positive cash flows from operations since inception. Our ability to generate positive cash flow from operations in the future will be, at least in part, dependent on continued stable global economic conditions. As of November 23, 2019, the Company had $43.0 million of cash and cash equivalents including $26.2 million held in international operations.

In October 2016, we entered into the Facility which is available for working capital and general corporate purposes, including potential acquisitions and stock repurchases. The Facility allows the Company to choose the interest rate applicable to advances. Borrowings under the Facility bear interest at a rate per annum of either, at the Company’s option, (i) LIBOR plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus margin of 0.25% or 0.50% with the applicable margin depending on the Company’s consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America’s prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. The Company pays an unused commitment fee on the average daily unused portion of the Facility at a rate of 0.15% to 0.25% depending upon on the Company’s consolidated leverage ratio. The Facility expires October 17, 2021. Additional information regarding the Facility is included in 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.

As of November 23, 2019, the Company had borrowings of $54.0 million under the Facility and directed Bank of America to issue approximately $1.5 million of outstanding letters of credit for the benefit of third parties related to operating leases and guarantees. As of November 23, 2019, the Company was in compliance with the financial covenants in the Facility.

Our ongoing operations and growth strategy may require us to continue to make investments in critical markets and in systems and technology. In addition, we may consider making strategic acquisitions. We currently believe that our current cash, ongoing cash flows from our operations and funding available under our Facility will be adequate to meet our working capital and capital expenditure needs for at least the next 12 months. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities, increase use of our 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 Facility. The sale of additional equity securities or certain forms of debt financing could result in additional dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future. In the event we are unable to obtain additional financing when needed, we may be compelled to delay or curtail our plans to develop our business or to pay dividends on our capital stock, which could have a material adverse effect on our operations, market position and competitiveness.

Operating Activities

Operating activities for the six months ended November 23, 2019 provided cash of $17.2 million compared to $1.7 million for the six months ended November 24, 2018. Cash provided by operations in the first six months of fiscal 2020 resulted from net income of $17.3 million and non-cash items of $8.6 million. These amounts were partially offset by a net increase in operating assets and liabilities of $8.7 million primarily due to a decrease in accrued salaries and related obligations. In the first six months of fiscal 2019, cash provided by operations resulted from net income of $16.3 million and non-cash items of $12.3 million, partially offset by an increase in operating assets and liabilities of $27.0 million primarily related to an increase in accounts receivable and a decrease in accrued salary and related obligations.

Investing Activities

Net cash used in investing activities was $25.5 million for the first six months of fiscal 2020, compared to $3.4 million in the comparable prior year period. The Company used $30.3 million of cash (net of cash acquired) to acquire Veracity. There were no acquisitions in the first six months of fiscal 2019. In the first half of fiscal 2020, we redeemed short-term investments of $6.0 million and purchased $2.1 million less property and equipment compared to the first half of fiscal 2019.

Financing Activities

The primary sources of cash in financing activities are borrowings under the Company’s revolving credit facility, cash proceeds from the exercise of employee stock options and proceeds from issuance of Employee Stock Purchase Plan (“ESPP”). The primarily uses of cash in financing activities are repayments under the Company revolving credit facility, repurchase of the Company’s common stock and cash dividend payments to shareholders.

Net cash provided by financing activities totaled $8.5 million for the six months ended November 23, 2019 compared to a use of cash of $13.3 million during the six months ended November 24, 2018. Net cash provided by financing activities during the six months ended November 23, 2019 consisted of $6.0 million of proceeds from employee stock option exercises and purchases of shares under the ESPP, and $35.0 million of borrowings to finance the acquisition of Veracity, partially offset by principal repayments of $24.0 million under the revolving credit facility and $8.6 million of cash dividend payments.

Net cash used in financing activities during the six months ended November 24, 2018 consisted of $13.0 million of cash paid to repurchase the Company's own common stock, a principal repayment of $5.0 million under the revolving credit facility and $7.9 million of cash dividend payments, partially offset by $12.6 million of proceeds from employee stock option exercises and purchases of shares under the ESPP.

The increase in dividends paid was due to an increase in dividends declared from $0.13 per share to $0.14 per share beginning in fiscal 2020.

As described in Note 3 — *Acquisitions and Dispositions*, in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, the purchase agreement for Veracity requires earn-out payments to be made. The Company estimated the fair value of the obligation to pay contingent consideration based on a number of different projections of the estimated EBITDA. The estimated fair value of the contingent consideration as of November 23, 2019 was $6.4 million.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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 our Facility that bear interest at a variable market rate.

As of November 23, 2019, we had approximately $43.0 million of cash and cash equivalents and $54.0 million of borrowings under our Facility. The earnings on investments 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.

Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) LIBOR plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus margin of 0.25% or 0.50% with the applicable margin depending on the Company's consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. We are exposed to rate risk related to fluctuations in the LIBOR rate primarily; at the current level of borrowing as of November 23, 2019 of $54.0 million, a 10% change in interest rates would have resulted in approximately a $0.2 million change in annual interest expense.

Foreign Currency Exchange Rate Risk. For the three months ended November 23, 2019, approximately 19.2% of the Company's 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 39% of our balances of cash and cash equivalents as of November 23, 2019 were denominated in U.S. dollars. The remaining amount of approximately 61% was comprised primarily of cash balances translated from Euros, Mexican Pesos, British Pound Sterling, Japanese Yen, Canadian Dollar and Chinese Yuan. The difference resulting from the translation each period of assets and liabilities of our non-U.S. based operations is recorded as a component of stockholders' equity in other accumulated other comprehensive income or loss.

Although we intend to monitor our exposure to foreign currency fluctuations, we do not currently use financial hedging techniques 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 consultant in another currency. 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 Securities Exchange Act of 1934, as amended (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 Interim 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 November 23, 2019. Based on that evaluation, the Company's Chief Executive Officer and Interim Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of November 23, 2019. There was 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 Company's quarter ended November 23, 2019 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. ***LEGAL PROCEEDINGS.***

We are not a party to any material legal proceedings, although we are from time to time party to legal proceedings that arise in the ordinary course of our business.

ITEM 1A. ***RISK FACTORS*****.**

There have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 25, 2019, which was filed with the Securities and Exchange Commission on July 19, 2019. See "Risk Factors" in such Annual Report on Form 10-K for a complete description of the material risks we face.

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

On October 14, 2019, in connection with the final settlement of a pre-acquisition claim with the seller of Accretive, the Company issued 82,762 shares of its common stock to certain stockholders of Accretive. The issuance of common stock was not registered under the Securities Act. Such shares were issued in a private placement exempt from the registration requirements of the Securities Act, in reliance on the exemptions set forth in Section 4(a)(2) of the Securities Act and Rule 506 under Regulation D.

The Company did not purchase any shares of its common stock during the three months ended November 23, 2019.

ITEM 5. ***OTHER INFORMATION.***

None.

ITEM 6. ***EXHIBITS.***

The exhibits listed in the Exhibit Index are filed with, or incorporated by reference in, this Report.

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EXHIBIT INDEX

Exhibit Number	Description of Document
31.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation.
101.DEF*	XBRL Taxonomy Extension Definition.
101.LAB*	XBRL Taxonomy Extension Labels.
101.PRE*	XBRL Taxonomy Extension Presentation.

* Filed herewith.
** Furnished herewith.

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: January 2, 2020	/s/ Kate W. Duchene
	Kate W. Duchene President and Chief Executive Officer (Principal Executive Officer)
Date: January 2, 2020	/s/ Jennifer Ryu
	Jennifer Ryu Interim Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

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: January 2, 2020

/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 the Securities Exchange Act of 1934

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: January 2, 2020

/s/ Jennifer Ryu

Jennifer Ryu
Interim Chief Financial Officer

Exhibit 32

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned, Kate W. Duchene, the Chief Executive Officer of Resources Connection, Inc., and Jennifer Ryu, Interim Chief Financial Officer of Resources Connection, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, hereby certify that, to the best of her or his knowledge:

(i) the Report on Form 10-Q of the Company for the quarter ended November 23, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 2, 2020

/s/ KATE W. DUCHENE

Kate W. Duchene
President and Chief Executive Officer

/s/ JENNIFER RYU

Jennifer Ryu
Interim Chief Financial Officer

The foregoing certification accompanies the Report on Form 10-Q 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 it 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.