UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: March 27, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 001-14543

TrueBlue, Inc.

(Exact name of registrant as specified in its charter)

Washington	**91-1287341**
(State of incorporation)	(I.R.S. employer identification no.)

1015 A Street, Tacoma, Washington 98402
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(253) 383-9101**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	**TBI**	**New York Stock Exchange**

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 if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 14, 2022, there were 33,271,632 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

TRUEBLUE, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except par value data)	March 27, 2022	December 26, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,720	$ 49,896
Accounts receivable, net of allowance of $4,885 and $6,687	325,197	353,882
Prepaid expenses and other current assets	25,667	31,614
Income tax receivable	10,765	9,681
Total current assets	398,349	445,073
Property and equipment, net	87,751	88,090
Restricted cash and investments	216,163	221,026
Deferred income taxes, net	28,096	29,330
Goodwill	94,716	94,538
Intangible assets, net	20,667	22,211
Operating lease right-of-use assets, net	55,735	55,197
Workers' compensation claims receivable, net	62,816	61,386
Other assets, net	16,626	16,375
Total assets	$ 980,919	$ 1,033,226
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$ 63,544	$ 77,172
Accrued wages and benefits	81,142	100,173
Current portion of workers' compensation claims reserve	58,890	61,596
Current operating lease liabilities	12,581	12,097
Other current liabilities	9,740	7,508
Total current liabilities	225,897	258,546
Workers' compensation claims reserve, less current portion	197,472	194,598
Long-term debt, less current portion	4,000	—
Long-term deferred compensation liabilities	27,951	28,806
Long-term operating lease liabilities	54,923	54,927
Other long-term liabilities	3,125	3,282
Total liabilities	513,368	540,159
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, $0.131 par value, 20,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 33,608 and 34,861 shares issued and outstanding	1	1
Accumulated other comprehensive loss	(15,620)	(15,747)
Retained earnings	483,170	508,813
Total shareholders' equity	467,551	493,067
Total liabilities and shareholders' equity	$ 980,919	$ 1,033,226

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(unaudited)

(in thousands, except per share data)	Thirteen weeks ended March 27, 2022	Thirteen weeks ended March 28, 2021
Revenue from services	$ 551,515	$ 458,706
Cost of services	411,670	348,132
Gross profit	139,845	110,574
Selling, general and administrative expense	120,568	97,401
Depreciation and amortization	7,287	6,962
Income from operations	11,990	6,211
Interest expense and other income, net	505	575
Income before tax expense (benefit)	12,495	6,786
Income tax expense (benefit)	1,976	(112)
Net income	$ 10,519	$ 6,898
Net income per common share:		
Basic	$ 0.31	$ 0.20
Diluted	$ 0.30	$ 0.20
Weighted average shares outstanding:		
Basic	33,929	34,674
Diluted	34,544	35,066
Other comprehensive income:		
Foreign currency translation adjustment	$ 127	$ 496
Comprehensive income	$ 10,646	$ 7,394

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Thirteen weeks ended March 27, 2022	Thirteen weeks ended March 28, 2021
Cash flows from operating activities:		
Net income	$ 10,519	$ 6,898
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,287	6,962
Provision for credit losses	989	207
Stock-based compensation	3,812	3,343
Deferred income taxes	1,258	(5,002)
Non-cash lease expense	3,281	3,920
Other operating activities	2,608	(438)
Changes in operating assets and liabilities:		
Accounts receivable	27,702	18,025
Income tax receivable	(1,252)	4,910
Operating lease right-of-use asset	—	3,501
Other assets	4,267	(4,578)
Accounts payable and other accrued expenses	(13,257)	(9,633)
Accrued wages and benefits	(19,031)	4,249
Workers' compensation claims reserve	168	(1,499)
Operating lease liabilities	(3,319)	(3,320)
Other liabilities	1,410	338
Net cash provided by operating activities	26,442	27,883
Cash flows from investing activities:		
Capital expenditures	(5,779)	(10,003)
Purchases of restricted available-for-sale investments	—	(14)
Sales of restricted available-for-sale investments	—	452
Maturities of restricted held-to-maturity investments	6,034	6,371
Net cash provided by (used in) investing activities	255	(3,194)
Cash flows from financing activities:		
Purchases and retirement of common stock	(36,326)	—
Net proceeds from employee stock purchase plans	319	255
Common stock repurchases for taxes upon vesting of restricted stock	(3,970)	(2,555)
Net change in revolving credit facility	4,000	—
Other	(72)	(94)
Net cash used in financing activities	(36,049)	(2,394)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(57)	262
Net change in cash, cash equivalents and restricted cash	(9,409)	22,557
Cash, cash equivalents and restricted cash, beginning of period	103,185	118,612
Cash, cash equivalents and restricted cash, end of period	$ 93,776	$ 141,169
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 193	$ 477
Income taxes	1,878	(20)
Operating lease liabilities	4,093	4,142
Non-cash transactions:		
Property and equipment purchased but not yet paid	3,159	702
Right-of-use assets obtained in exchange for new operating lease liabilities	3,948	1,453

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement preparation

The accompanying unaudited consolidated financial statements ("financial statements") of TrueBlue, Inc. (the "company," "TrueBlue," "we," "us," and "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the financial statements for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial statements.

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the coronavirus ("COVID-19") pandemic, are uncertain and difficult to predict. Therefore, our accounting estimates and assumptions could change materially in future periods.

These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 26, 2021. The results of operations for the thirteen weeks ended March 27, 2022 are not necessarily indicative of the results expected for the full fiscal year nor for any other fiscal period.

Recently adopted accounting standards

There were no new accounting standards adopted during the thirteen weeks ended March 27, 2022 that had an impact on our financial statements.

Recently issued accounting standards not yet adopted

There are no accounting standards which have not yet been adopted that are expected to have a significant impact on our financial statements and related disclosures.

NOTE 2: FAIR VALUE MEASUREMENT

Assets measured at fair value on a recurring basis

Our assets measured at fair value on a recurring basis consisted of the following:

	March 27, 2022			
(in thousands)	Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	$ 36,720	$ 36,720	$ —	$ —
Restricted cash and cash equivalents	57,056	57,056	—	—
Cash, cash equivalents and restricted cash (1)	93,776	93,776	—	—
Municipal debt securities	56,155	—	56,155	—
Corporate debt securities	69,680	—	69,680	—
Agency mortgage-backed securities	112	—	112	—
U.S. government and agency securities	1,004	—	1,004	—
Restricted investments classified as held-to-maturity (2)	$ 126,951	$ —	$ 126,951	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)	December 26, 2021 Total fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	$ 49,896	$ 49,896	$ —	$ —
Restricted cash and cash equivalents	53,289	53,289	—	—
Cash, cash equivalents and restricted cash (1)	103,185	103,185	—	—
Municipal debt securities	58,505	—	58,505	—
Corporate debt securities	78,357	—	78,357	—
Agency mortgage-backed securities	152	—	152	—
U.S. government and agency securities	1,070	—	1,070	—
Restricted investments classified as held-to-maturity (2)	$ 138,084	$ —	$ 138,084	$ —

(1) Cash, cash equivalents and restricted cash include money market funds and deposits.
(2) Refer to Note 3: *Restricted Cash and Investments* for additional details on our held-to-maturity debt securities.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

The following is a summary of the carrying value of our restricted cash and investments:

(in thousands)	March 27, 2022	December 26, 2021
Cash collateral held by insurance carriers	$ 29,133	$ 28,957
Cash and cash equivalents held in Trust	25,550	21,590
Investments held in Trust	128,798	135,419
Company-owned life insurance policies	30,309	32,318
Other restricted cash and cash equivalents	2,373	2,742
Total restricted cash and investments	$ 216,163	$ 221,026

Held-to-maturity

Restricted cash and investments include collateral that has been provided or pledged to insurance carriers for workers' compensation and state workers' compensation programs. Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation. The collateral typically takes the form of cash and cash equivalents and highly rated investment grade securities, primarily in debt and asset-backed securities. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust").

The amortized cost and estimated fair value of our held-to-maturity investments held in Trust, aggregated by investment category as of March 27, 2022 and December 26, 2021, were as follows:

(in thousands)	March 27, 2022 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 55,956	$ 354	$ (155)	$ 56,155
Corporate debt securities	71,732	119	(2,171)	69,680
Agency mortgage-backed securities	113	—	(1)	112
U.S. government and agency securities	997	7	—	1,004
Total held-to-maturity investments	$ 128,798	$ 480	$ (2,327)	$ 126,951

	December 26, 2021			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Municipal debt securities	$ 56,346	$ 2,159	$ —	$ 58,505
Corporate debt securities	77,925	995	(563)	78,357
Agency mortgage-backed securities	148	4	—	152
U.S. government and agency securities	1,000	70	—	1,070
Total held-to-maturity investments	$ 135,419	$ 3,228	$ (563)	$ 138,084

The amortized cost and fair value by contractual maturity of our held-to-maturity investments are as follows:

	March 27, 2022	
(in thousands)	Amortized cost	Fair value
Due in one year or less	$ 19,778	$ 19,833
Due after one year through five years	108,002	106,204
Due after five years through ten years	1,018	914
Total held-to-maturity investments	$ 128,798	$ 126,951

Actual maturities may differ from contractual maturities because the issuers of certain debt securities have the right to call or prepay their obligations without penalty. We have no significant concentrations of counterparties in our held-to-maturity investment portfolio.

Deferred compensation investments and company-owned life insurance policies

We hold company-owned life insurance policies to support our deferred compensation liability. During the year ended December 26, 2021, we also held mutual funds and money market funds. As of December 26, 2021, all of the mutual funds and money market funds were converted into company-owned life insurance policies. Unrealized gains and losses related to investments still held at March 27, 2022 and March 28, 2021, which are included in selling, general and administrative expense on our Consolidated Statements of Operations and Comprehensive Income, were as follows:

	Thirteen weeks ended	
(in thousands)	March 27, 2022	March 28, 2021
Unrealized gains (losses)	$ (2,011)	$ 877

NOTE 4: SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts receivable allowance for credit losses

The activity related to the accounts receivable allowance for credit losses was as follows:

	Thirteen weeks ended	
(in thousands)	March 27, 2022	March 28, 2021
Beginning balance	$ 6,687	$ 2,921
Current period provision	989	207
Write-offs	(2,784)	(669)
Foreign currency translation	(7)	3
Ending balance	$ 4,885	$ 2,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prepaid expenses and other current assets

(in thousands)	March 27, 2022	December 26, 2021
Prepaid software agreements	$ 9,560	$ 10,078
Other prepaid expenses	9,750	8,858
Other current assets	6,357	12,678
Prepaid expenses and other current assets	$ 25,667	$ 31,614

NOTE 5: WORKERS' COMPENSATION INSURANCE AND RESERVES

We provide workers' compensation insurance for our associates and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit, on a "per occurrence" basis. This results in our being substantially self-insured.

Our workers' compensation reserve for claims below the deductible limit is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. The weighted average discount rate was 1.6% at March 27, 2022 and December 26, 2021. Payments made against self-insured claims are made over a weighted average period of approximately 5.5 years as of March 27, 2022.

The following table presents a reconciliation of the undiscounted workers' compensation reserve to the discounted workers' compensation reserve for the periods presented:

(in thousands)	March 27, 2022	December 26, 2021
Undiscounted workers' compensation reserve	$ 272,724	$ 273,000
Less discount on workers' compensation reserve	16,362	16,806
Workers' compensation reserve, net of discount	256,362	256,194
Less current portion	58,890	61,596
Long-term portion	$ 197,472	$ 194,598

Payments made against self-insured claims were $9.7 million and $11.2 million for the thirteen weeks ended March 27, 2022 and March 28, 2021, respectively.

Our workers' compensation reserve includes estimated expenses related to claims above our self-insured limits ("excess claims"), and we record a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. The rates used to discount excess claims incurred during the thirteen weeks ended March 27, 2022 and fifty-two weeks ended December 26, 2021 were 1.9% and 1.8%, respectively. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 17.0 years. The discounted workers' compensation reserve for excess claims was $64.0 million and $62.7 million, as of March 27, 2022 and December 26, 2021, respectively. The discounted receivables from insurance companies, net of valuation allowance, were $62.8 million and $61.4 million as of March 27, 2022 and December 26, 2021, respectively.

Workers' compensation cost consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums and other miscellaneous expenses. Workers' compensation cost of $11.3 million and $10.1 million was recorded in cost of services on our Consolidated Statements of Operations and Comprehensive Income for the thirteen weeks ended March 27, 2022 and March 28, 2021, respectively.

NOTE 6: LONG-TERM DEBT

We have a revolving credit agreement with Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, N.A., KeyBank, N.A. and HSBC Bank USA, N.A., which provides for a revolving line of credit of up to $300.0 million, and is currently set to mature on March 16, 2025 ("Revolving Credit Facility"). We have an option to increase the amount to $450.0 million, subject to lender approval. Included in the Revolving Credit Facility is a $30.0 million sub-limit for "Swingline" loans and a $125.0 million sub-limit for letters of credit. At March 27, 2022, $4.0 million was drawn on the Revolving Credit Facility as a Swingline loan and $6.2 million was utilized by outstanding standby letters of credit, leaving $289.8 million unused under the Revolving Credit Facility. At December 26, 2021, $6.2 million was utilized by outstanding standby letters of credit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed under the revolving line of credit in excess of the Swingline loans, based on the U.S. Dollar London Interbank Offered Rate ("LIBOR") plus an applicable spread between 1.25% and 3.50%. Alternatively, at our option, we may pay interest based on a base rate plus an applicable spread between 0.25% and 1.50%. The base rate is the greater of the prime rate (as announced by Bank of America), or the federal funds rate plus 0.50%. The applicable spread is determined by the consolidated leverage ratio, as defined in the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, we are required to pay a variable rate of interest on funds borrowed under the Swingline loan based on the base rate plus applicable spread between 0.25% and 1.50%, as described above. At March 27, 2022, the applicable spread on the base rate was 0.25% and the base rate was 3.50%, resulting in an interest rate of 3.75%.

A commitment fee between 0.25% and 0.50% is applied against the Revolving Credit Facility's unused borrowing capacity, with the specific rate determined by the consolidated leverage ratio, as defined in the second amendment to our credit agreement. Letters of credit are priced at a margin between 1.00% and 3.25%, plus a fronting fee of 0.50%.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The second amendment to our credit agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including, among others, financial covenants.

The following financial covenants, as defined in the second amendment to our credit agreement, were in effect as of March 27, 2022:

- Consolidated leverage ratio less than 3.00, defined as our funded indebtedness divided by trailing twelve months consolidated EBITDA, as defined in the amended credit agreement. As of March 27, 2022, our consolidated leverage ratio was 0.08.
- Consolidated fixed charge coverage ratio greater than 1.25, defined as the trailing twelve months bank-adjusted cash flow divided by cash interest expense. As of March 27, 2022, our consolidated fixed charge ratio was 88.61.

As of March 27, 2022, we were in compliance with all effective covenants related to the Revolving Credit Facility.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Workers' compensation commitments

We have provided our insurance carriers and certain states with commitments in the form and amounts listed below:

(in thousands)	March 27, 2022	December 26, 2021
Cash collateral held by workers' compensation insurance carriers	$ 23,229	$ 23,056
Cash and cash equivalents held in Trust	25,550	21,590
Investments held in Trust	128,798	135,419
Letters of credit (1)	6,160	6,160
Surety bonds (2)	21,919	21,969
Total collateral commitments	$ 205,656	$ 208,194

(1) We have agreements with certain financial institutions to issue letters of credit as collateral.

(2) Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which are determined by each independent surety carrier. These fees do not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days' notice.

Legal contingencies and developments

We are involved in various proceedings arising in the normal course of conducting business. We believe the liabilities included in our financial statements reflect the probable loss that can be reasonably estimated and are immaterial. We also believe that the aggregate range of reasonably possible losses for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite our current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: SHAREHOLDERS' EQUITY

Changes in the balance of each component of shareholders' equity during the reporting periods were as follows:

	Thirteen weeks ended	
(in thousands)	March 27, 2022	March 28, 2021
Common stock shares		
Beginning balance	34,861	35,493
Purchases and retirement of common stock	(1,327)	—
Net issuance under equity plans, including tax benefits	74	(23)
Stock-based compensation	—	4
Ending balance	33,608	35,474
Common stock amount		
Beginning balance	$ 1	$ 1
Current period activity	—	—
Ending balance	1	1
Retained earnings		
Beginning balance	508,813	452,017
Net income	10,519	6,898
Purchases and retirement of common stock (1)	(36,326)	—
Net issuance under equity plans, including tax benefits	(3,648)	(2,300)
Stock-based compensation	3,812	3,343
Ending balance	483,170	459,958
Accumulated other comprehensive loss		
Beginning balance, net of tax	(15,747)	(14,828)
Foreign currency translation adjustment	127	496
Ending balance, net of tax	(15,620)	(14,332)
Total shareholders' equity ending balance	$ 467,551	$ 445,627

(1) Under applicable Washington State law, shares purchased are not displayed separately as treasury stock on our Consolidated Balance Sheets and are treated as authorized but unissued shares. It is our accounting policy to first record these purchases as a reduction to our common stock account. Once the common stock account has been reduced to a nominal balance, remaining purchases are recorded as a reduction to our retained earnings. Furthermore, activity in our common stock account related to stock-based compensation is also recorded to retained earnings until such time as the reduction to retained earnings due to stock repurchases has been recovered.

NOTE 9: INCOME TAXES

Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate and, if our estimated tax rate changes, we make a cumulative adjustment. Our quarterly tax provision and quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our full year pre-tax income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes in expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items, tax credits, and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

Our effective income tax rate for the thirteen weeks ended March 27, 2022 was 15.8%. The difference between the statutory federal income tax rate of 21% and our effective tax rate was primarily due to hiring credits, including the Work Opportunity Tax Credit ("WOTC"), as well as stock-based compensation. WOTC is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. Other differences between the statutory federal income tax rate result from state and foreign income taxes, certain non-deductible and non-taxable items.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: NET INCOME PER SHARE

Diluted common shares were calculated as follows:

	Thirteen weeks ended	
(in thousands, except per share data)	March 27, 2022	March 28, 2021
Net income	$ 10,519	$ 6,898
Weighted average number of common shares used in basic net income per common share	33,929	34,674
Dilutive effect of non-vested stock-based awards	615	392
Weighted average number of common shares used in diluted net income per common share	34,544	35,066
Net income per common share:		
Basic	$ 0.31	$ 0.20
Diluted	$ 0.30	$ 0.20
Anti-dilutive shares	348	345

NOTE 11: SEGMENT INFORMATION

Our operating segments and reportable segments are described below:

Our **PeopleReady** reportable segment provides blue-collar, contingent staffing through the PeopleReady operating segment. PeopleReady provides on-demand and skilled labor in a broad range of industries that include construction, manufacturing and logistics, warehousing and distribution, retail, waste and recycling, energy, hospitality, and general labor.

Our **PeopleManagement** reportable segment provides contingent labor and outsourced industrial workforce solutions, primarily on-site at the client's facility, through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *PeopleManagement On-Site*: On-site management and recruitment for the contingent industrial workforce of manufacturing, warehousing and distribution facilities; and
- *PeopleManagement Centerline*: Recruitment and management of contingent and dedicated commercial drivers to the transportation and distribution industries.

Our **PeopleScout** reportable segment provides high-volume, permanent employee recruitment process outsourcing, employer branding services and management of outsourced labor service providers through the following operating segments, which we have aggregated into one reportable segment in accordance with U.S. GAAP:

- *PeopleScout RPO*: Outsourced recruitment of permanent employees on behalf of clients and employer branding services; and
- *PeopleScout MSP*: Management of multiple third-party staffing vendors on behalf of clients.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents our revenue disaggregated by major source and segment and a reconciliation of segment revenue from services to total company revenue:

(in thousands)	Thirteen weeks ended March 27, 2022	Thirteen weeks ended March 28, 2021
Revenue from services:		
Contingent staffing		
PeopleReady	$ 305,690	$ 260,392
PeopleManagement	163,819	151,754
Human resource outsourcing		
PeopleScout	82,006	46,560
Total company	$ 551,515	$ 458,706

The following table presents a reconciliation of segment profit to income before tax expense (benefit):

(in thousands)	Thirteen weeks ended March 27, 2022	Thirteen weeks ended March 28, 2021
Segment profit:		
PeopleReady	$ 16,219	$ 11,860
PeopleManagement	2,979	3,116
PeopleScout	10,972	4,037
Total segment profit	30,170	19,013
Corporate unallocated expense	(7,298)	(5,619)
Third-party processing fees for hiring tax credits	(162)	(135)
Amortization of software as a service assets	(747)	(673)
PeopleReady technology implementation costs	(2,550)	—
COVID-19 government subsidies, net	—	1,743
Other costs	(136)	(1,156)
Depreciation and amortization	(7,287)	(6,962)
Income from operations	11,990	6,211
Interest expense and other income, net	505	575
Income before tax expense (benefit)	$ 12,495	$ 6,786

Asset information by reportable segment is not presented as we do not manage our segments on a balance sheet basis.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMMENT ON FORWARD LOOKING STATEMENTS

Certain statements in this Form 10-Q, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, the impact of and our ongoing response to COVID-19, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “goal,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in our forward-looking statements, including the risks and uncertainties described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part I, Item 2 of this Form 10-Q),“Quantitative and Qualitative Disclosures about Market Risk” (Part I, Item 3 of this Form 10-Q), and “Risk Factors” (Part II, Item 1A of this Form 10-Q). We undertake no duty to update or revise publicly any of the forward-looking statements after the date of this report or to conform such statements to actual results or to changes in our expectations, whether because of new information, future events, or otherwise.

BUSINESS OVERVIEW

TrueBlue, Inc. (the “company,” “TrueBlue,” “we,” “us” and “our”) is a leading provider of specialized workforce solutions that help our clients improve productivity and grow their businesses. Client demand for contingent workforce solutions and outsourced recruiting services is cyclical and dependent on the overall strength of the economy and labor market, as well as trends in workforce flexibility. During periods of rising economic uncertainty, clients reduce their contingent labor in response to lower volumes and reduced appetite for expanding production or inventory, which reduces the demand for our services. That environment also reduces demand for permanent placement recruiting, whether outsourced or in-house. However, as the economy emerges from periods of uncertainty, contingent labor providers are uniquely positioned to respond quickly to increasing demand for labor and rapidly fill new or temporary positions, replace absent employees, and convert fixed labor costs to variable costs. Similarly, companies often reduce or eliminate their in-house recruiting teams during economic downturns, and turn to hybrid or fully outsourced recruiting models during periods of rapid re-hiring and high employee turnover. In order to competitively differentiate our services in these highly fragmented industries, we are committed to executing our digital strategies, combined with a focus on improving operational efficiencies in order to gain market share. We have implemented these core strategies for each of our business segments: PeopleReady, PeopleManagement and PeopleScout.

PeopleReady

PeopleReady, our largest segment by revenue, provides clients with access to qualified associates through a wide range of staffing solutions for on-demand contingent general and skilled labor. PeopleReady connects people with work in a broad range of industries through our network of branches across all 50 states in the United States (“U.S.”), Canada and Puerto Rico, and increasingly through our industry-leading mobile app, JobStack^{TM}. JobStack creates a virtual exchange between our associates and clients, and allows our branch resources to expand their recruiting, sales and service delivery efforts. JobStack is competitively differentiating our services, expanding our reach into new demographics, and improving our service delivery and work order fill rates. JobStack has also enabled our recent service center and full virtual service center initiatives, which we expect will result in a greater focus on sales and improved customer service, as well as a more efficient and scalable service delivery model.

PeopleManagement

PeopleManagement, our second largest segment by revenue, provides recruitment and on-site management of a facility’s contingent industrial workforce throughout the U.S., Canada and Puerto Rico. In comparison with PeopleReady, services are larger in scale and longer in duration, and dedicated service teams are located at the client’s facility as an integral part of the production and logistics process. We offer scalable solutions to meet the volume requirements of labor-intensive manufacturing, warehousing and distribution facilities, by providing large-scale sourcing, screening, recruiting and management of the contingent workforce. PeopleManagement also provides dedicated and contingent commercial truck drivers to the transportation and distribution industries through our Centerline Drivers (“Centerline”) brand. Centerline matches drivers to each client’s specific needs, allowing them to improve productivity, control costs, ensure compliance and deliver improved service. Our primary focus at PeopleManagement continues to be growing our client base by targeting local and underserved markets, as well as investing in customer and associate care programs to improve retention.

PeopleScout

PeopleScout, our smallest segment by revenue, offers recruitment process outsourcing ("RPO") and managed service provider ("MSP") solutions to a wide variety of industries and geographies, primarily in the U.S., Canada, the United Kingdom and Australia. PeopleScout provides RPO services that manage talent solutions spanning the global economy and talent advisory capabilities supporting total workforce needs. Our programs deliver improved talent quality and candidate experience, faster hiring, increased scalability, lower cost of recruitment, greater flexibility, and improved regulatory compliance. We leverage our proprietary technology platform (Affinix™) for sourcing, screening and delivering a permanent workforce, along with dedicated service delivery teams to work as an integrated partner with our clients. PeopleScout also includes our MSP business, which manages our clients' contingent labor programs including vendor selection, performance management, compliance monitoring and risk management. Our primary focus at PeopleScout is to leverage our strong brand reputation, continued investments in our sales team, and use of our proprietary technology platform (Affinix) to capture opportunities in an industry that is expanding rapidly post-pandemic.

Fiscal first quarter of 2022 highlights

Our strong performance from the prior year continued, as total company revenue grew 20.2% to $551.5 million for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year driven by strong overall demand for our services in all three segments. PeopleReady revenue grew 17.4% due to higher bill rates and improvement in labor supply. PeopleManagement revenue grew 8.0%, fueled by existing client growth despite global supply chain challenges, as well as strong demand for commercial trucking services. PeopleScout revenue grew 76.1% and continued to benefit from the post-pandemic hiring surge at new and existing clients, as companies are returning to hybrid and fully outsourced recruiting models.

Total company gross profit as a percentage of revenue for the thirteen weeks ended March 27, 2022 increased by 130 basis points to 25.4%, compared to 24.1% for the same period in the prior year. This increase was primarily driven by higher bill rates compared to pay rates, and sales mix trending toward higher margin segments.

Total company selling, general and administrative ("SG&A") expense increased 23.8% to $120.6 million, for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. The overall increase in SG&A expense was primarily to support revenue growth of 20.2%. The additional increase in the current year was primarily due to the investments we are making to replace our PeopleReady technology platform to better support our digital strategy and new service delivery models, which began during the fiscal fourth quarter of 2021. SG&A expense in the prior year benefited from the remaining temporary cost reductions taken during 2020 in response to the pandemic, which have been removed in the current year.

Revenue growth, along with an improvement in gross profit as a percentage of revenue, more than offset the additional SG&A expense as a percentage of revenue, and resulted in net income improving to $10.5 million for the thirteen weeks ended March 27, 2022 compared to $6.9 million for the same period in the prior year.

As of March 27, 2022, we were in a strong financial position with cash and cash equivalents of $36.7 million, total debt outstanding of $4.0 million, $6.2 million utilized by outstanding standby letters of credit, and $289.8 million available under our revolving credit agreement ("Revolving Credit Facility"), for total liquidity of $326.6 million.

RESULTS OF OPERATIONS

Total company results

The following table presents selected financial data:

(in thousands, except percentages and per share data)	Thirteen weeks ended Mar 27, 2022	% of revenue	Mar 28, 2021	% of revenue
Revenue from services	$ 551,515		$ 458,706	
Gross profit	139,845	25.4 %	110,574	24.1 %
Selling, general and administrative expense	120,568	21.9	97,401	21.2
Depreciation and amortization	7,287	1.3	6,962	1.5
Income from operations	11,990	2.2 %	6,211	1.4 %
Interest expense and other income, net	505		575	
Income before tax expense (benefit)	12,495		6,786	
Income tax expense (benefit)	1,976		(112)	
Net income	$ 10,519	1.9 %	$ 6,898	1.5 %
Net income per diluted share	$ 0.30		$ 0.20	

Revenue from services

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	Growth %	Segment % of total	Mar 28, 2021	Segment % of total
Revenue from services:					
PeopleReady	$ 305,690	17.4 %	55.4 %	$ 260,392	56.8 %
PeopleManagement	163,819	8.0	29.7	151,754	33.1
PeopleScout	82,006	76.1	14.9	46,560	10.1
Total company	$ 551,515	20.2 %	100.0 %	$ 458,706	100.0 %

Total company revenue grew 20.2% to $551.5 million for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. The growth was driven by strong overall demand for our services in all segments.

PeopleReady

PeopleReady revenue grew 17.4% to $305.7 million for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. Revenue benefited from higher bill rates, which have increased ahead of pay rates as the labor supply has improved. PeopleReady revenue improved across most geographies and industries. Retail and hospitality benefited primarily from project work and increasing volumes from events, respectively.

We believe the revenue growth has been supported by the use of our JobStack mobile app that digitally connects associates with work. During the first quarter of 2022, PeopleReady dispatched approximately 792,000 shifts via JobStack, compared to 716,000 for the same period in the prior year, and our digital fill rate increased to 59% at the higher volume of revenue, compared to 58% for the same period in the prior year.

PeopleManagement

PeopleManagement revenue grew 8.0% to $163.8 million for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. PeopleManagement’s revenue growth was due to existing client growth, despite the global supply chain challenges of our automotive and manufacturing clients, and strong demand for commercial trucking services.

PeopleScout

PeopleScout revenue grew 76.1% to $82.0 million for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. PeopleScout revenue continued to benefit from the post-pandemic hiring surge that began at the end of the fiscal second quarter of 2021, as companies began to return to normal operations and increased their use of fully outsourced and hybrid recruiting services. Revenue growth has been impacted by improved hiring volumes and demand at existing clients, primarily within travel and leisure, as well as new client business.

Gross profit

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	Thirteen weeks ended Mar 28, 2021
Gross profit	$ 139,845	$ 110,574
Percentage of revenue	25.4 %	24.1 %

Gross profit as a percentage of revenue grew 130 basis points to 25.4% for the thirteen weeks ended March 27, 2022, compared to 24.1% for the same period in the prior year. Our staffing businesses contributed 110 basis points of expansion of which 40 basis points was attributable to higher bill rates compared to pay rates. An additional 30 basis points was attributable to sales mix shift toward our PeopleReady segment, which has a higher gross margin profile than PeopleManagement, our other staffing segment, as well as 20 basis points due to customer mix. The remaining 20 basis point improvement was due to lower workers' compensation costs. Our PeopleScout business contributed 20 basis points of expansion primarily due to improved recruiter utilization on increasing volumes.

SG&A expense

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	Thirteen weeks ended Mar 28, 2021
Selling, general and administrative expense	$ 120,568	$ 97,401
Percentage of revenue	21.9 %	21.2 %

Total company SG&A expense increased by $23.2 million or 23.8% for the thirteen weeks ended March 27, 2022, compared to the same period in the prior year. The increase in SG&A expense was primarily to support revenue growth of 20.2%. As a percentage of revenue, SG&A expense increased 70 basis points, the majority of which was related to $2.6 million of costs incurred to replace our PeopleReady technology platform to better support our digital strategy and new service delivery models, which began during the fiscal fourth quarter of 2021. SG&A expense in the prior year benefited from the remaining temporary cost reductions taken during 2020 in response to the pandemic, which have been removed in the current year.

Depreciation and amortization

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	Thirteen weeks ended Mar 28, 2021
Depreciation and amortization	$ 7,287	$ 6,962
Percentage of revenue	1.3 %	1.5 %

Depreciation and amortization increased for the thirteen weeks ended March 27, 2022 compared to the same period in the prior year, due to certain assets placed into service during 2021, slightly offset by assets becoming fully amortized during 2021.

Income taxes

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	Thirteen weeks ended Mar 28, 2021
Income tax expense (benefit)	$ 1,976	$ (112)
Effective income tax rate	15.8 %	(1.7)%

Our tax provision and our effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss by jurisdiction, tax credits, government audit developments, changes in laws, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income and loss. For example, the impact of discrete items, tax credits and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower.

The items creating a difference between income taxes computed at the statutory federal income tax rate and income taxes reported on the Consolidated Statements of Operations and Comprehensive Income are as follows:

(in thousands, except percentages)	Thirteen weeks ended Mar 27, 2022	%	Mar 28, 2021	%
Income before tax expense (benefit)	$ 12,495		$ 6,786	
Federal income tax expense at statutory rate	2,624	21.0%	1,425	21.0%
Increase (decrease) resulting from:				
State income taxes, net of federal benefit	474	3.8	288	4.2
Coronavirus Aid, Relief and Economic Security Act	—	—	136	2.0
Hiring tax credits, net	(1,142)	(9.1)	(2,737)	(40.3)
Non-deductible and non-taxable items	263	2.1	133	2.0
Stock-based compensation	(619)	(5.0)	291	4.3
Foreign taxes and other, net	376	3.0	352	5.1
Income tax expense (benefit)	$ 1,976	15.8%	$ (112)	(1.7)%

For the thirteen weeks ended March 27, 2022 we incurred income tax expense of $2.0 million and had an effective tax rate of 15.8%, compared to a benefit of $0.1 million and an effective tax rate benefit of 1.7% for the same period in the prior year.

The difference between the statutory federal income tax rate of 21% and our effective tax rate of 15.8% for the thirteen weeks ended March 27, 2022 was primarily due to the benefit of hiring credits, including the Work Opportunity Tax Credit ("WOTC"), as well as stock-based compensation, partially offset by state income taxes and other discrete adjustments. The low negative tax rate in the prior year was primarily due to the benefit of hiring credits exceeding the tax on the small amount of pre-tax income.

WOTC, our primary hiring tax credit, is designed to encourage employers to hire workers from certain targeted groups with higher than average unemployment rates. WOTC is generally calculated as a percentage of wages over a twelve-month period up to worker maximums by targeted groups. Based on historical results and business trends, we estimate the amount of WOTC we expect to earn related to wages of the current year. However, the estimate is subject to variation because 1) a small percentage of our workers qualify for one or more of the many targeted groups; 2) the targeted groups are subject to different incentive credit rates and limitations; 3) credits fluctuate depending on economic conditions and qualified worker retention periods; and 4) state and federal offices can delay their credit certification processing and have inconsistent certification rates. We recognize an adjustment to prior year hiring credits if credits certified by government offices differ from original estimates. The WOTC program has been approved through the end of 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Segment performance

We evaluate performance based on segment revenue and segment profit. Segment profit includes revenue, related cost of services, and ongoing operating expenses directly attributable to the reportable segment. Segment profit excludes goodwill and intangible asset impairment charges, depreciation and amortization expense, unallocated corporate general and administrative expense, interest expense, other income and expense, income taxes, and other adjustments not considered to be ongoing. See Note 11: *Segment Information*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our reportable segments, as well as a reconciliation of segment profit to income before tax expense (benefit).

Segment profit should not be considered a measure of financial performance in isolation or as an alternative to net income on the Consolidated Statements of Operations and Comprehensive Income in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and may not be comparable to similarly titled measures of other companies.

PeopleReady segment performance was as follows:

	Thirteen weeks ended	
(in thousands, except percentages)	Mar 27, 2022	Mar 28, 2021
Revenue from services	$ 305,690	$ 260,392
Segment profit	16,219	11,860
Percentage of revenue	5.3 %	4.6 %

PeopleReady segment profit grew $4.4 million for the thirteen weeks ended March 27, 2022, and also grew as a percentage of revenue, compared to the same period in the prior year. Segment profit growth was primarily due to higher bill rates, which have increased ahead of pay rates as the labor supply has improved.

PeopleManagement segment performance was as follows:

	Thirteen weeks ended	
(in thousands, except percentages)	Mar 27, 2022	Mar 28, 2021
Revenue from services	$ 163,819	$ 151,754
Segment profit	2,979	3,116
Percentage of revenue	1.8 %	2.1 %

PeopleManagement segment profit declined $0.1 million for the thirteen weeks ended March 27, 2022, and also declined as a percentage of revenue, compared to the same period in the prior year. Segment profit declined for the thirteen weeks ended March 27, 2022 primarily due to a benefit recorded in the prior year related to accounts receivable credit loss reserves that did not reoccur in the current period.

PeopleScout segment performance was as follows:

	Thirteen weeks ended	
(in thousands, except percentages)	Mar 27, 2022	Mar 28, 2021
Revenue from services	$ 82,006	$ 46,560
Segment profit	10,972	4,037
Percentage of revenue	13.4 %	8.7 %

PeopleScout segment profit grew $6.9 million for the thirteen weeks ended March 27, 2022, and also grew as a percentage of revenue, compared to the same period in the prior year. Segment profit improved as the result of operating leverage as volumes recovered within existing clients, especially within travel and leisure.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

The following highlights represent our operating outlook for the fiscal second quarter and full year of 2022. These expectations are subject to revision as our business changes with the overall economy.

Operating outlook

- We are not providing customary revenue guidance for the fiscal second quarter of 2022. Our historical second quarter sequential revenue growth has been approximately 8% over the prior five years, excluding the fiscal second quarter of 2020. However, revenue trends exiting March 2022 imply sequential revenue growth of 3% to 5%.
- We anticipate gross margin contraction of between 60 and 20 basis points for the fiscal second quarter of 2022 compared to the same period in the prior year. For fiscal 2022, we anticipate gross margin changes between a contraction of 40 and expansion of 20 basis points, compared to the prior year. We expect higher workers’ compensation expense to negatively impact gross margin.
- For the fiscal second quarter of 2022, we anticipate SG&A expense to be between $126 million and $130 million. This includes approximately $3 million in costs to implement new cloud-based solutions at PeopleReady. We will continue to exercise disciplined cost management while making investments in sales resources and digital strategies to drive profitable revenue growth. We are also implementing pilot projects to further reduce the costs of our PeopleReady branch network through a greater use of technology, centralizing work activities, and repurposing of job roles, while maintaining the strength of our geographic footprint. These pilots will occur through 2022 and, if successful, could lead to additional efficiencies in the future.
- We expect our effective income tax rate for fiscal 2022 to be between 14% and 18%.

Liquidity outlook

- Capital expenditures and spending for software as a service assets for the fiscal second quarter of 2022 are expected to be approximately $12 million, and between $43 million and $48 million for fiscal 2022. We remain committed to technological innovation to transform our business for a digital future. We continue to make investments in online and mobile apps to improve access to associates and candidates, as well as improve the speed and ease of connecting them with our clients. We expect these investments will increase the competitive differentiation of our services over the long term, improve the efficiency of our service delivery, and reduce PeopleReady’s dependence on local branches to find associates and connect them with work. Examples include PeopleReady’s JobStack mobile app and PeopleScout’s Affinix talent acquisition technology.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

We believe we have a strong financial position and sufficient sources of funding to meet our short and long term obligations. As of March 27, 2022 we had $36.7 million in cash and cash equivalents and $289.8 million available under our Revolving Credit Facility. We have an option to increase the total line of credit amount from $300 million to $450 million, subject to bank approval.

Cash generated through our core operations is our primary source of liquidity. Our principal ongoing cash needs are to finance working capital, fund capital expenditures, repay outstanding Revolving Credit Facility balances, and execute share repurchases. We manage working capital through timely collection of accounts receivable, which we achieve through focused collection efforts and tightly monitoring trends in days sales outstanding. While client payment terms are generally 90 days or less, we pay our associates weekly, so additional financing through the use of our Revolving Credit Facility is sometimes necessary to support revenue growth. We also manage working capital through efficient cost management and strategically timing payments of accounts payable.

We remain committed to technological innovation to transform our business for a digital future. As part of executing this strategy, we continue to make investments in online and mobile apps to improve access to associates and candidates, as well as to improve the speed and ease of connecting our clients and associates for our staffing business, and candidates for our RPO business. We expect these investments will increase the competitive differentiation of our services over the long term, improve the efficiency of our service delivery model, and reduce PeopleReady's dependence on local branches to find associates and connect them with work. In addition, we continue to transition our back-office technology from on-premise software platforms to cloud-based software solutions, to increase automation and the efficiency of running our business.

Outside of ongoing cash needed to support core operations, our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they become responsible should we become insolvent. On a regular basis, these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. Such amounts can increase or decrease independent of our assessments and reserves. We continue to have risk that these collateral requirements may be increased by our insurers due to our loss history and market dynamics. We generally anticipate that our collateral commitments will continue to grow as we grow our business. We pay our premiums and deposit our collateral in installments. The collateral typically takes the form of cash and cash-backed instruments, highly rated investment grade securities, letters of credit, and surety bonds. Restricted cash and investments supporting our self-insured workers' compensation obligation are held in a trust at the Bank of New York Mellon ("Trust"), and are used to pay workers' compensation claims as they are filed. See Note 5*: Workers' Compensation Insurance and Reserves*, and Note 3*: Restricted Cash and Investments*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for details on our workers' compensation program as well as the restricted cash and investments held in Trust.

We have established investment policy directives for the Trust with the first priority to preserve capital, second to ensure sufficient liquidity to pay workers' compensation claims, third to diversify the investment portfolio and fourth to maximize after-tax returns. Trust investments must meet minimum acceptable quality standards. The primary investments include U.S. Treasury securities, U.S. agency debentures, U.S. agency mortgages, corporate securities and municipal securities. For those investments rated by nationally recognized statistical rating organizations the minimum ratings at time of purchase are:

	S&P	Moody's	Fitch
Short-term rating	A-1/SP-1	P-1/MIG-1	F-1
Long-term rating	A	A2	A

Total collateral commitments decreased $2.5 million during the thirteen week period ended March 27, 2022 primarily due to lower collateral requirements from our insurance carriers and the use of collateral to satisfy workers' compensation claims. See Note 7: *Commitments and Contingencies*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our workers' compensation commitments. We continue to actively manage workers' compensation cost through the safety of our associates with our safety programs, and actively control costs with our network of service providers. These actions have had a positive impact creating favorable adjustments to workers' compensation liabilities recorded in the prior periods. Continued favorable adjustments to our prior year workers' compensation liabilities are dependent on our ability to continue to aggressively lower accident rates and costs of our claims. We expect diminishing favorable adjustments to our workers' compensation liabilities as the opportunity for significant reduction to the frequency and severity of accident rates diminishes.

Restricted cash and investments also includes collateral to support our non-qualified deferred compensation plan in the form of company-owned life insurance policies. Our non-qualified deferred compensation plan is managed by a third-party service provider, and the investments backing the company-owned life insurance policies align with the amount and timing of payments based on employee elections.

A summary of our cash flows for each period are as follows:

	Thirteen weeks ended	
(in thousands)	Mar 27, 2022	Mar 28, 2021
Net cash provided by operating activities	$ 26,442	$ 27,883
Net cash provided by (used in) investing activities	255	(3,194)
Net cash used in financing activities	(36,049)	(2,394)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(57)	262
Net change in cash, cash equivalents and restricted cash	$ (9,409)	$ 22,557

Cash flows from operating activities

Cash provided by operating activities consists of net income adjusted for non-cash benefits and expenses, and changes in operating assets and liabilities.

Demand for our services is generally lower during the fiscal first quarter, due in part to limitations in outside work during the winter months and slowdowns in manufacturing and logistics after the fiscal fourth quarter holiday season. This results in a deleveraging of accounts receivable and accounts payable compared to the prior year-end. Also, accrued wages and benefits can fluctuate based on whether the period end requires the accrual of one or two weeks of payroll, the amount and timing of bonus payments, and timing of payroll tax payments.

Net cash provided by accounts receivable collections was partially offset by a slight increase in our days sales outstanding during the thirteen weeks ended March 27, 2022, primarily due to a higher percentage of receivables with longer payment terms. Net cash used for payments on accounts payable and accrued expenses was partially offset by more favorable payment terms negotiated with our vendors as part of our focus on capital management. Additionally, net cash used for payments for accrued wages and benefits was primarily due to timing and amount of annual bonus payments to employees.

Cash flows from investing activities

Investing cash flows consist of capital expenditures and purchases, sales and maturities of restricted investments.

Capital expenditures were higher for the thirteen weeks ended March 28, 2021 due to the build-out costs for our Chicago support center of $3.7 million, which was completed during fiscal 2021.

Cash flows from financing activities

Financing cash flows consist primarily of repurchases of common stock as part of our publicly announced share repurchase program, amounts to satisfy employee tax withholding obligations upon the vesting of restricted stock, the net change in our Revolving Credit Facility, and proceeds from the sale of common stock through our employee stock purchase plans.

The increase in net cash used in financing activities was primarily due to the repurchase of $36.3 million of our common stock in the open market during the thirteen weeks ended March 27, 2022. As of March 27, 2022, $113.7 million remains available for repurchase under existing authorizations. This was partially offset by $4.0 million of borrowing under our Revolving Credit Facility for the thirteen weeks ended March 27, 2022. See Note 6: *Long-Term Debt*, to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q, for additional details on our Revolving Credit Facility.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates are discussed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations; Summary of Critical Accounting Estimates” in our Annual Report on Form 10-K for the fiscal year ended December 26, 2021.

NEW ACCOUNTING STANDARDS

See Note 1: *Summary of Significant Accounting Policies,* to our consolidated financial statements found in Item 1 of this Quarterly Report on Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our quantitative and qualitative disclosures about market risk are discussed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 26, 2021, and have not changed materially.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal first quarter of 2022, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures at a reasonable assurance level, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level, as of March 27, 2022.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The certifications required by Rule 13a-14 of the Exchange Act are filed as exhibits 31.1 and 31.2, respectively, to this Quarterly Report on Form 10-Q.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 7: *Commitments and Contingencies,* to our consolidated financial statements found in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

Investing in our securities involves risk. The following risk factors and all other information set forth in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 26, 2021 should be considered in evaluating our future prospects. If any of the events described below occur, our business, financial condition, results of operations, liquidity, or access to the capital markets could be materially and adversely affected.

To develop the following risk factors, we review risks to our business that are informed by our formal Enterprise Risk Management program, industry trends, the external market, and financial environment as well as dialogue with leaders throughout our organization. Our risk factors descriptions are intended to convey our assessment of each applicable risk and such assessments are prioritized and integrated into our strategic and operational planning.

RISKS RELATED TO OUR COMPANY'S OPERATIONS

COVID-19 and the resulting governmental reactions to COVID-19 have negatively impacted our business and could have a continued material adverse impact on our business, financial condition, liquidity and results of operations.

The coronavirus pandemic ("COVID-19") caused significant negative impacts on our operations and stock price. Our revenue declined substantially beginning in early 2020 because of COVID-19 and may continue to be impacted while economic conditions normalize post-pandemic. Further deterioration in economic conditions, as a result of COVID-19 or otherwise, could lead to a prolonged decline in demand for our services and negatively impact our business.

The extent to which COVID-19, including any variants, could continue to adversely impact our business depends on future developments of the pandemic and related governmental responses, such as the efficacy, distribution, and government requirements related to the COVID-19 vaccines. While this matter has, and we expect it to continue to, negatively impact our results of operations, cash flows, profit margins, and financial position, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related future financial impact is difficult to estimate at this time.

Advances in technology may disrupt the labor and recruiting markets. Failure to constantly improve our technology to meet the expectations of clients, associates, candidates and employees could have a negative impact on our financial position and results of operations.

The increased use of internet-based and mobile technology is attracting additional technology-oriented companies and resources to our industry. Our associates, candidates and clients increasingly demand technological innovation to improve the access to and delivery of our services. Our clients increasingly rely on automation, artificial intelligence, machine learning and other new technologies to reduce their dependence on labor needs, which may reduce demand for our services and impact our operations. We face extensive pressure for lower prices and new service offerings and must continue to invest in and implement new technology and industry developments in order to remain relevant to our associates, candidates and clients. As a result of this increasing dependence upon technology, we must timely and effectively identify, develop, or license technology from third parties, and integrate such enhanced or expanded technologies into the solutions that we provide. In addition, our business relies on a variety of technologies, including those that support recruiting, hiring, paying, order management, billing, collecting, associate data analytics and client data analytics. If we do not sufficiently invest in and implement new technology, or evolve our business at sufficient speed and scale, our business results may decline materially. Acquiring technological talent and expertise to develop new technologies for our business may require us to incur significant expenses and capital costs. For some solutions, we depend on key vendors and partners to provide technology and support. If these third parties fail to perform their obligations or cease to work with us, our business operations could be negatively affected.

We are dependent on obtaining workers' compensation and other insurance coverage at commercially reasonable terms. Unexpected changes in claim trends on our workers' compensation or an inability to obtain appropriate insurance coverage may negatively impact our financial condition.

Our temporary staffing services employ associates for which we provide workers' compensation insurance. Our workers' compensation insurance policies are renewed annually. The majority of our insurance policies are with AIG. Our insurance carriers require us to collateralize a significant portion of our workers' compensation obligation. The majority of our collateral is held in trust by a third-party for the payment of these claims. The loss or decline in the value of our collateral could require us to seek additional sources of capital to pay our workers' compensation claims. As our business grows or financial results deteriorate, we have seen the amount of collateral required increase and the timing of providing collateral accelerate, which could occur again in the future. Resources to meet these requirements may not be available. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on acceptable terms. The loss of our workers' compensation insurance coverage would prevent us from operating as a staffing services business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program. We have experienced unexpected changes in claim trends, including the severity and frequency of claims, changes in state laws regarding benefit levels and allowable claims, actuarial estimates, and medical cost inflation, and may experience such changes in the future which could result in costs that are significantly different than initially anticipated or reported and could cause us to record adjustments to the reserves in our financial statements. There is a risk that we will not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

We actively manage the safety of our associates through our safety programs and actively control costs with our network of workers' compensation related service providers. These activities have had a positive impact creating favorable adjustments to workers' compensation liabilities recorded in the current and prior periods. The benefit of these adjustments is likely to decline and there can be no assurance that we will be able to continue to reduce accident rates and control costs to produce these results in the future.

Some clients require extensive insurance coverage and request insurance endorsements that are not available under standard policies. There can be no assurance that we will be able to negotiate acceptable compromises with clients or negotiate appropriate changes in our insurance contracts. An inability to meet client insurance requirements may adversely affect our ability to take on new clients or continue providing services to existing clients.

Demand for our workforce solutions is significantly affected by fluctuations in general economic conditions.

The demand for our workforce solutions is highly dependent upon the state of the economy and the workforce needs of our clients, which creates uncertainty and volatility in our operations. National and global economic activity is slowed by many factors, including rising interest rates, inflation, political and legislative changes, international conflict or instability, epidemics, other significant health concerns, and global trade uncertainties. As economic activity slows, companies tend to reduce their use of associates and recruitment of new employees. We work in a broad range of industries that primarily include construction, manufacturing and logistics, warehousing and distribution, waste and recycling, energy, retail and hospitality. Significant declines in demand from any region or industry in which we have a major presence, domestic or global supply chain disruptions, or decline in the financial health of our clients, significantly decreases our revenues and profits. For example, we experienced significantly reduced demand from our clients due to COVID-19. Deterioration in economic conditions or the financial or credit markets could also have an adverse impact on our clients' financial health or their ability to pay for services we have already provided.

It is difficult for us to forecast future demand for our services due to the inherent uncertainty in forecasting the direction and strength of economic cycles and the project nature of our staffing assignments. The uncertainty can be exacerbated by volatile economic conditions, which has caused and may continue to cause clients to reduce or defer projects for which they utilize our services. The negative impact to our business can occur before, during or after a decline in economic activity is seen in the broader economy. When it is difficult for us to accurately forecast future demand, we may not be able to determine the optimal level of personnel and investment necessary to profitably manage our business in light of opportunities and risks we face.

The loss of, continued reduction in or substantial decline in revenue from larger clients or certain industries could have a material adverse effect on our revenues, profitability and liquidity.

We experience revenue concentration with large clients and in certain industries. Generally, our contracts do not contain guarantees of minimum duration, revenue levels, or profitability. Our clients have in the past and could in the future terminate their contracts or materially reduce their requested levels of service at any time. Although we have no client that represents over 10% of our consolidated revenue, there are a few clients that exceed 10% of revenues within some of our reportable segments. The deterioration of the financial condition of a large client or a particular industry could have a material adverse effect on our business, financial condition, and results of operations. COVID-19 has caused certain clients to temporarily close large job sites or reduce demand for our services, and future outbreaks of the pandemic, or other unforeseen disruptions, could cause large closures and long-term reduction in demand. In addition, a significant change to the business, staffing, or recruiting model of these clients, for example a decision to insource our services, has had, and could again have, a material adverse effect on our business, financial condition, and results of operations. Reduced demand for our services from larger clients or certain industries, such as renewed restrictions on travel and leisure or supply interruptions for manufacturing, have had, and in the future could have, a material adverse effect on our business, financial condition, and results of operations. Client concentration exposes us to concentrated credit risk, as a significant portion of our accounts receivable may be from a small number of clients. If we are unable to collect our receivables, or are required to take additional reserves, our results and cash flows will be adversely affected.

Our business and operations have undergone, and will continue to undergo, significant change as we seek to improve our operational and support effectiveness, which if not managed effectively could have an adverse outcome on our business and results of operations.

We have significantly changed our operations and internal processes in recent periods, and we will continue making similar changes to improve our operational effectiveness. These efforts strain our systems, management, administrative, operations and financial infrastructure. For example, we are conducting pilot projects to further reduce the costs of our PeopleReady branch network through a greater use of technology, centralizing work activities, and repurposing of job roles, while maintaining the strength of our geographic footprint. We believe these efforts are important to our long-term success. Managing and cascading these changes throughout the company will continue to require the further attention of our management team and refinements to our operational, financial and management controls, reporting systems and procedures. These activities will require ongoing expenditures and allocation of valuable management and employee resources. If we fail to manage these changes effectively, our costs and expenses may increase more than we expect and our business, financial condition, and results of operations may be harmed.

New business initiatives may cause us to incur additional expenditures and could have an adverse effect on our business.

We expect to continue adjusting the composition of our business segments and entering into new business initiatives as part of our business strategy. New business initiatives, strategic business partners, or changes in the composition of our business mix can be distracting to our management and disruptive to our operations, causing our business and results of operations to suffer materially. New business initiatives, including initiatives outside of our workforce solutions business, in new markets, or new geographies, could involve significant unanticipated challenges and risks including not advancing our business strategy, not realizing our anticipated return on investment, experiencing difficulty in implementing initiatives, or diverting management's attention from our other businesses. In particular, we are making significant investments to advance our technology, and we cannot be sure that those initiatives will be successful, will not interrupt our operations, or that we will achieve a return on our investment. These events could cause material harm to our business, operating results or financial condition.

Damage to our brands and reputation could have an adverse effect on our business.

Our ability to attract and retain clients, associates, candidates and employees is affected by external perceptions of our brands and reputation. Negative perceptions or publicity could damage our reputation with current or prospective clients, associates, candidates and employees. Negative perceptions or publicity regarding our vendors, clients, or business partners may adversely affect our brand and reputation. We may not be successful in detecting, preventing, or negating all changes in or impacts on our reputation, including reputational effects of negative social media use by our clients, employees, or associates. If any factor, including poor performance or negative publicity, whether or not true, hurts our reputation, we may experience negative repercussions which could harm our business.

We may not achieve the intended effects of our business strategy which could negatively impact our results.

Our business strategy focuses on driving growth in our PeopleReady, PeopleManagement and PeopleScout business segments by investing in innovative technology and initiatives which drive organic growth. These investments may not achieve our desired results or may be impacted by matters outside of our control. If we are unsuccessful in executing any of these strategies, we may not achieve our goal of revenue and profit growth, which could negatively impact financial results.

Outsourcing certain aspects of our business could result in disruption and increased costs.

We have outsourced certain aspects of our business to third-party vendors. These relationships subject us to significant risks including disruptions in our business and increased costs. For example, we license software from third parties, much of which is central to our systems and our business. The licenses are generally terminable if we breach our obligations under the license agreements. If any of these relationships were terminated, or if any of these parties were to cease doing business or supporting the applications we currently utilize, our business could be disrupted and we may be forced to spend significant time and money to replace the licensed software. In addition, we have engaged third parties to host and manage certain aspects of our data center, information and technology infrastructure, mobile apps, and electronic pay solutions, to provide certain back office support activities, and to support business process outsourcing for our clients. We are subject to the risks associated with the vendors' inability to provide these services in a manner that meets our needs and the risks associated with changing vendors or in sourcing these aspects of our business. If the cost of these services is more than expected, if the vendors suddenly cease providing their services, if we or the vendors fail to adequately protect our data and information is lost or compromised, or if our ability to deliver our services is interrupted, then our business and results of operations may be negatively impacted.

RISKS RELATED TO OUR FINANCIAL POSITION

We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or that our share repurchase program will enhance long-term shareholder value.

Our Board of Directors (the "Board") has authorized a share repurchase program. Under the program, we are authorized to repurchase shares of common stock for a set aggregate purchase price, or we may choose to purchase shares in the open market, from individual holders, through an accelerated share repurchase agreement or otherwise. Although the Board has authorized a share repurchase program, the share repurchase program does not obligate the company to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of the repurchases, if any, will be determined at management's discretion and depend upon several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that these share repurchases will enhance shareholder value because the market price of our common stock may decline below the level at which we repurchased shares of stock. Although our share repurchase program is intended to enhance long-term shareholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

Our level of debt and restrictions in our credit agreement could negatively affect our operations and limit our liquidity and our ability to react to changes in the economy.

Our revolving credit agreement ("Revolving Credit Facility") contains restrictive covenants that require us to maintain certain financial conditions, which we may fail to meet if there is a material decrease in our profitability, including as a result of COVID-19. Our failure to comply with these restrictive covenants could result in an event of default, which, if not cured or waived, would require us to repay these borrowings before their due date. We may not have sufficient funds on hand to repay these loans, and if we are forced to refinance these borrowings on less favorable terms, or are unable to refinance at all, our results of operations and financial condition could be materially adversely affected by increased costs and rates.

Our principal sources of liquidity are funds generated from operating activities, available cash and cash equivalents, and borrowings under our Revolving Credit Facility. We must have sufficient sources of liquidity to meet our working capital requirements, fund our workers' compensation collateral requirements, service our outstanding indebtedness, and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue promising business opportunities.

If our debt level significantly increases in the future, it could have significant consequences for the operation of our business including requiring us to dedicate a significant portion of our cash flow from operations to servicing our debt rather than using it for our operations; limiting our ability to obtain additional debt financing for future working capital, capital expenditures, or other corporate purposes; limiting our ability to take advantage of significant business opportunities, such as acquisitions; limiting our ability to react to changes in market or industry conditions; and putting us at a disadvantage compared to competitors with less debt.

We may have additional tax liabilities that exceed our estimates.

We are subject to federal taxes, a multitude of state and local taxes in the United States ("U.S."), and taxes in foreign jurisdictions. We face continued uncertainty surrounding ongoing hiring tax credits we utilize, and for the recent business tax incentives related to measures taken to soften the impact of COVID-19. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. We are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation with tax authorities could materially harm our business. Changes in interpretation of existing laws and regulations by a taxing authority could result in penalties and increased costs in the future. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing intercompany arrangements or may change their laws, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.

If our management is unable to certify the effectiveness of our internal controls, including those over our third-party vendors, our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny, a loss of public confidence and litigation. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause our stock price to decline.

LEGAL AND COMPLIANCE RELATED RISKS

We may experience employment-related claims, commercial indemnification claims and other legal proceedings that could materially harm our business.

We are in the business of employing people in the workplaces of our clients. We incur a risk of liability for claims relating to personal injury, wage and hour violations, immigration, discrimination, harassment and other claims arising from the actions of our clients and associates. Some or all of these claims may give rise to negative publicity, investigations, litigation or settlements, which may cause us to incur costs or have other material adverse impacts on our financial statements. Additionally, new employment and labor laws and regulations may be proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation.

We may have liability to our clients for the action or inaction of our employees that may cause harm to our clients or third parties. In some cases, we must indemnify our clients for certain acts of our associates or arising from our associates' presence on the client's job site and certain clients have negotiated broad indemnification provisions. We may also incur fines, penalties, and losses that are not covered by insurance or negative publicity with respect to these matters.

We maintain insurance with respect to some potential claims and costs with deductibles. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on acceptable terms. Should the final judgments or settlements exceed our insurance coverage, they could have a material adverse effect on our business. Our ability to obtain insurance, its coverage levels, deductibles and premiums, are all dependent on market factors, our loss history, and insurance providers' assessments of our overall risk profile. Further, we cannot be certain our current and former insurance carriers will be able to pay claims we make under such policies.

Failure to protect our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We have invested in developing specialized technology and intellectual property, proprietary systems, processes and methodologies that we believe provide us a competitive advantage in serving clients. We cannot guarantee that trade secret, trademark, and copyright law protections are adequate to deter misappropriation of our intellectual property, which is an important part of our business. We may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products to clients.

Failure to maintain adequate compliance policies and controls may not prevent violations that could result in significant fines and penalties.

We could be exposed to fines and penalties under U.S., foreign, or local jurisdictions for failure to adequately monitor changes in operating requirements, including rules related to the employment and recruiting of associates and candidates. Failure to comply with laws in a particular market may result in substantial liability and could have a significant and negative effect not only on our business in that market, but also on our reputation generally. Although we have implemented policies and procedures designed to monitor and ensure compliance with these various regulations, we cannot be sure that our employees, contractors, vendors, or agents will not violate such policies. Any such violations could materially damage our reputation, brand, business and operating results.

RISKS RELATED TO OUR INDUSTRY

Our workforce solutions are subject to extensive government regulation and the imposition of additional regulations, which could materially harm our future earnings.

Our workforce solutions are subject to extensive federal, state, local and international government regulation. The cost to comply, and any inability to comply with government regulation, could have a material adverse effect on our business and financial results. Increases or changes in government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially harm our business. Client requirements or government mandates requiring employees to be vaccinated against or tested for COVID-19 could increase our costs and cause a decline in the number of associates available for our temporary staffing business to provide to clients. Such a decline could adversely affect our results of operations and financial condition.

The wage rates we pay to associates are based on many factors including government-mandated increases to minimum wage requirements, payroll-related taxes and benefits. If we are not able to increase the fees charged to clients to absorb any increased costs related to these factors, our results of operations and financial condition could be adversely affected.

We may be unable to attract sufficient qualified associates and candidates to meet the needs of our clients.

We compete to meet our clients’ needs for workforce solutions; therefore, we must continually attract qualified associates and candidates to fill positions. Attracting qualified associates and candidates depends on factors such as desirability of the assignment, position requirements, location, the associated wages and other benefits. Many of these factors are outside of our control, including the reputational effects of unfavorable comments on social media outlets about our business or a work site. Prior to COVID-19, unemployment in the U.S. was low, making it challenging to find sufficient eligible associates and candidates to meet our clients’ orders. Government responses to COVID-19, including generous unemployment benefits, stimulus payments and other direct payments to individuals, have negatively impacted our ability to recruit qualified associates and candidates, and may continue to impact our recruiting efforts in the future. Continued similar benefits will further impact our ability to recruit in the future. Client requirements or governmental mandates for our associates or candidates to be vaccinated against or periodically tested for COVID-19 could cause qualified associates or candidates to avoid work or seek alternative employers.

We have experienced shortages of qualified associates and candidates and may experience such shortages in the future. Such a shortage of associates and candidates can increase the cost to employ or recruit these individuals, cause us to be unable to fulfill our client’s needs, and otherwise negatively impact our business. If general market conditions or wage inflation increase the wage rates required to attract and retain associates, and we are unable to pass those costs through to our clients, it could materially and adversely affect our business. Organized labor periodically engages in efforts to represent various groups of our associates. If we are subject to unreasonable collective bargaining agreements or work disruptions, our business could be adversely affected.

We operate in a highly competitive industry and may be unable to retain clients, market share or profit margins.

Our industry is highly competitive and rapidly innovating, with low barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing companies as well as business process outsourcing companies that also offer our services. Our competitors offer a variety of flexible workforce solutions. Therefore, there is no assurance that we will be able to retain clients or market share in the future, nor can there be any assurance that we will, in light of competitive pressures, be able to remain profitable or maintain our current profit margins.

RISKS RELATED TO CYBERSECURITY, DATA PRIVACY AND INFORMATION SECURITY

Cybersecurity vulnerabilities and incidents could lead to the improper disclosure of information about our clients, candidates, associates and employees.

Our business requires the use, processing, and storage of confidential information about candidates, associates, employees and clients. We use information technology and other computer resources to carry out operational and support activities and maintain our business records. We rely on information technology systems to process, transmit, and store electronic information and to communicate among our locations around the world and with our clients, partners, associates, and employees. The breadth and complexity of this infrastructure increases the potential risk of security breaches which could lead to potential unauthorized disclosure of confidential information.

Our systems and networks are vulnerable to computer viruses, malware, hackers and other security issues, including physical and electronic break-ins, disruptions from unauthorized access and tampering, social engineering attacks, impersonation of authorized users and coordinated denial-of-services attacks. We have experienced cybersecurity incidents and attacks that have not had a material impact on our business or results of operations; however, there is no assurance that the impacts of any future incidents or attacks will not be material. The security controls over sensitive or confidential information and other practices we and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Continued investments in cybersecurity will increase our costs and a failure to prevent access to our systems could lead to penalties, litigation, and damage to our reputation. Perceptions that we do not adequately protect the privacy of information could harm our relationship with clients and employees.

Data security, data privacy and data protection laws and other technology regulations increase our costs.

Laws and regulations related to privacy and data protection are evolving and generally becoming more stringent. We may fail to implement practices and procedures that comply with increasing international and domestic privacy regulations, such as the General Data Protection Regulations or the California Consumer Privacy Act. Several additional U.S. states have issued cybersecurity regulations that outline a variety of required security measures for protection of data. These regulations are designed to protect client, candidate, associate, and employee data and require that we meet stringent requirements regarding the handling of personal data, including the use, protection and transfer of personal data. As these laws continue to change, we may be required to make changes to our services, solutions or products to meet the new legal requirements. Changes in these laws may increase our costs to comply as well as our potential costs through higher potential penalties for non-compliance. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

Improper disclosure of, or access to our clients' information could materially harm our business.

Our associates and employees may have access to, or exposure to, confidential information about candidates, associates, employees and clients. The security controls over sensitive or confidential information and other practices we, our clients, and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information, including through failure of employees or associates to properly comply with such controls or practices. Failure to protect the integrity and security of such confidential and/or proprietary information could expose us to regulatory fines, litigation, contractual liability, damage to our reputation and increased compliance costs.

Failure of our information technology systems could adversely affect our operating results.

The efficient operation of our business applications and services we provide is dependent on reliable technology. We rely on our information technology systems to monitor and control our operations, adjust to changing market conditions, implement strategic initiatives and provide services to clients. We rely heavily on proprietary and third-party information technology systems, mobile device technology data centers, cloud-based environments and other technology. We take various precautions and have enhanced controls around these systems, but information technology systems are susceptible to damage, disruptions, shutdowns, power outages, hardware failures, computer viruses, malicious attacks, telecommunication failures, user errors, catastrophic events or failures during the process of upgrading or replacing software, vendors, or databases. The failure of technology and our applications and services, and our information systems to perform as anticipated could disrupt our business and result in decreased revenue and increased overhead costs, causing our business and results of operations to suffer materially.

Our facilities and operations are vulnerable to damage and interruption.

Our primary computer systems, headquarters, support facilities and operations are vulnerable to damage or interruption from power outages, employee errors, security breaches, natural disasters, extreme weather conditions, civil unrest and catastrophic events. Failure of our systems or damage to our facilities may cause significant interruption to our business, and require significant additional capital and management resources to resolve, causing material harm to our business.

GENERAL RISK FACTORS

Our results of operations could materially deteriorate if we fail to attract, develop and retain qualified employees.

Our performance is dependent on attracting and retaining qualified employees who are able to meet the needs of our clients. We believe our competitive advantage is providing unique solutions for each client, which requires us to have trained and engaged employees. Our success depends upon our ability to attract, develop and retain a sufficient number of qualified employees, including management, sales, recruiting, service, technology and administrative personnel. The turnover rate in the employment services industry is high, and qualified individuals may be difficult to attract and hire. Our inability to recruit, train, motivate and provide a safe working environment to a sufficient number of qualified individuals may delay or affect the speed and quality of our strategy execution and planned growth. Delayed expansion, significant increases in employee turnover rates, failure to keep our staff healthy or significant increases in labor costs could have a material adverse effect on our business, financial condition and results of operations.

Acquisitions may have an adverse effect on our business.

We may continue making acquisitions as part of our business strategy. This strategy may be impeded, however, and we may not achieve our long-term growth goals if we cannot identify suitable acquisition candidates or if acquisition candidates are not available under acceptable terms. We may have difficulty integrating acquired companies into our operating, financial planning, and financial reporting systems and may not effectively manage acquired companies to achieve expected growth.

Future acquisitions could result in incurring additional debt and contingent liabilities, an increase in interest expense, amortization expense, and charges related to integration costs. Additional indebtedness could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for an acquisition, which could result in dilution to our shareholders. Any acquisitions we announce could be viewed negatively by investors, which may adversely affect the price of our common stock. Acquisitions can also result in the addition of goodwill and intangible assets to our financial statements and we may be required to record a significant charge in our financial statements during the period in which we determine an impairment of our acquired goodwill and intangible assets has occurred, which would negatively impact our financial results. The potential loss of key executives, employees, clients, suppliers, vendors, and other business partners of businesses we acquire may adversely impact the value of the assets, operations, or business we acquire. These events could cause material harm to our business, operating results or financial condition.

We face risks in operating internationally.

A portion of our business operations and support functions are located outside of the U.S. These international operations are subject to a number of risks, including the effects of COVID-19 and governmental action, such as travel restrictions and “stay-at-home” orders, political and economic conditions in those foreign countries, foreign currency fluctuations, the burden of complying with various foreign laws and technical standards, unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. We have operations in the United Kingdom (“U.K.”), which could be negatively impacted as clients in the U.K. encounter uncertainties related to the U.K.’s exit from the European Union. We could also be exposed to fines and penalties under U.S. or foreign laws, such as the Foreign Corrupt Practices Act, which prohibits improper payments to governmental officials and others for the purpose of obtaining or retaining business. Although we have implemented policies and procedures designed to ensure compliance with these laws, we cannot be sure that our employees, contractors or agents will not violate such policies. Any such violations could materially damage our reputation, brands, business and operating results. Further, changes in U.S. laws and policies governing foreign investment and use of foreign operations or workers, and any negative sentiments towards the U.S. resulting from such changes, could adversely affect our operations.

The price of our common stock may fluctuate significantly, which may result in losses for investors.

The market price for our common stock has been and may be subject to significant volatility. Our stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, but are not limited to, changes in general economic conditions, including those caused by COVID-19; social unrest; announcement of new services or acquisitions by us or our competitors; changes in financial estimates or other statements by securities analysts; changes in industry trends or conditions; regulatory developments; and any major change in our Board or management. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated to the operating performance of listed companies. These broad market and industry factors may impact the price of our common stock, regardless of our operating performance.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below includes repurchases of our common stock pursuant to publicly announced plans or programs and those not made pursuant to publicly announced plans or programs during the thirteen weeks ended March 27, 2022.

Period	Total number of shares purchased (1)	Weighted average price paid per share (2)	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under plans or programs at period end (3)
12/27/2021 through 01/23/2022	400,999	$28.13	385,847	$39.1 million
01/24/2022 through 02/20/2022	252,995	$26.54	197,879	$133.8 million
02/21/2022 through 03/27/2022	746,369	$27.05	743,361	$113.7 million
Total	1,400,363	$27.27	1,327,087	

(1) During the thirteen weeks ended March 27, 2022, we purchased 73,276 shares in order to satisfy employee tax withholding obligations upon the vesting of restricted stock. These shares were not acquired pursuant to our publicly announced share repurchase program.
(2) Weighted average price paid per share does not include any adjustments for commissions.
(3) On October 16, 2019, our Board of Directors authorized a $100.0 million share repurchase program of our outstanding common stock. On February 2, 2022, our Board of Directors authorized a $100.0 million addition to our share repurchase program of our outstanding common stock. The share repurchase program does not obligate us to acquire any particular amount of common stock and does not have an expiration date. As of March 27, 2022, $113.7 million remains available for repurchase under the existing authorization.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. INDEX TO EXHIBITS

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference		
			Form	File no.	Date of first filing
3.1	Amended and Restated Articles of Incorporation.		8-K	001-14543	05/12/2016
3.2	Amended and Restated Bylaws.		10-Q	001-14543	10/30/2017
31.1	Certification of A. Patrick Beharelle, Chief Executive Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification of A. Patrick Beharelle, Chief Executive Officer of TrueBlue, Inc. and Derrek L. Gafford, Chief Financial Officer of TrueBlue, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101	The following financial statements from the Company's 10-Q, formatted as Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to consolidated financial statements.	X			
104	Cover page interactive data file - The cover page from this Quarterly Report on Form 10-Q is formatted as Inline XBRL	X			

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TrueBlue, Inc.

/s/ A. Patrick Beharelle	**4/25/2022**
Signature	Date

By: A. Patrick Beharelle, Director, President and Chief Executive Officer

/s/ Derrek L. Gafford	**4/25/2022**
Signature	Date

By: Derrek L. Gafford, Chief Financial Officer and Executive Vice President

/s/ Richard B. Christensen	**4/25/2022**
Signature	Date

By: Richard B. Christensen, Chief Accounting Officer, Treasurer and Senior Vice President

EXHIBIT 31.1

CERTIFICATION

I, A. Patrick Beharelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 25, 2022

/s/ A. Patrick Beharelle
A. Patrick Beharelle
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Derrek L. Gafford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TrueBlue, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 25, 2022

/s/ Derrek L. Gafford

Derrek L. Gafford
Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

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

We, A. Patrick Beharelle, the chief executive officer of TrueBlue, Inc. (the "company"), and Derrek L. Gafford, the chief financial officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report of the company on Form 10-Q, for the fiscal period ended March 27, 2022 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ A. Patrick Beharelle	*/s/ Derrek L. Gafford*
A. Patrick Beharelle	Derrek L. Gafford
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)

April 25, 2022

A signed original of this written statement required by Section 906 has been provided to TrueBlue, Inc. and will be retained by TrueBlue, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.