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 June 30, 2025

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From __ to

Commission File Number 0-21886

BARRETT BUSINESS SERVICES, INC.
(Exact name of registrant as specified in its charter)

Maryland	**52-0812977**
(State or other jurisdiction of Incorporation or organization)	**(IRS Employer Identification No.)**
8100 NE Parkway Drive, Suite 200 Vancouver, Washington	**98662**
(Address of principal executive offices)	**(Zip Code)**

(360) 828-0700
(Registrant's telephone number, including area code)

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, Par Value $0.01 Per Share	BBSI	The NASDAQ Stock Market LLC

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of July 25, 2025, 25,689,563 shares of the registrant's common stock ($0.01 par value) were outstanding.

BARRETT BUSINESS SERVICES, INC.
INDEX TO FORM 10-Q

Part I - Financial Information (Unaudited)

PART I – FINANCIAL INFORMATION

Item 1. Unaudited Interim Condensed Consolidated Financial Statements

Barrett Business Services, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In Thousands, Except Par Value)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,348	$ 55,367
Investments	64,097	66,492
Trade accounts receivable, net	264,175	234,533
Income taxes receivable	—	2,662
Prepaid expenses and other	25,769	18,698
Restricted cash and investments	91,042	97,690
Total current assets	471,431	475,442
Property, equipment and software, net	61,695	56,781
Operating lease right-of-use assets	24,343	20,329
Restricted cash and investments	99,701	134,454
Goodwill	47,820	47,820
Other assets	6,076	6,205
Deferred income taxes	2,562	4,477
Total assets	$ 713,628	$ 745,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,933	$ 6,787
Accrued payroll and related benefits	239,444	215,648
Payroll taxes payable	41,026	49,685
Income taxes payable	324	—
Current operating lease liabilities	6,682	6,231
Current premium payable	39,805	31,134
Other accrued liabilities	11,066	10,330
Workers' compensation claims liabilities	35,368	39,081
Total current liabilities	378,648	358,896
Long-term workers' compensation claims liabilities	78,534	89,365
Long-term premium payable	—	49,840
Long-term operating lease liabilities	18,828	15,215
Customer deposits and other long-term liabilities	11,801	10,788
Total liabilities	487,811	524,104
Commitments and contingencies (Notes 4 and 6)		
Stockholders' equity:		
Common stock, $.01 par value; 82,000 shares authorized, 25,497 and 25,784 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	255	258
Additional paid-in capital	43,093	40,396
Accumulated other comprehensive loss	(14,265)	(19,245)
Retained earnings	196,734	199,995
Total stockholders' equity	225,817	221,404
Total liabilities and stockholders' equity	$ 713,628	$ 745,508

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Professional employer services	$ 290,170	$ 259,887	$ 565,096	$ 506,076
Staffing services	17,487	19,764	35,127	39,357
Total revenues	307,657	279,651	600,223	545,433
Cost of revenues:				
Direct payroll costs	13,165	14,693	26,471	29,410
Payroll taxes and benefits	173,277	148,810	360,283	310,705
Workers' compensation	47,956	48,251	97,586	97,854
Total cost of revenues	234,398	211,754	484,340	437,969
Gross margin	73,259	67,897	115,883	107,464
Selling, general and administrative expenses	48,188	45,577	93,026	87,991
Depreciation and amortization	2,038	1,912	3,996	3,764
Income from operations	23,033	20,408	18,861	15,709
Other income (expense):				
Investment income, net	2,300	3,069	4,920	6,343
Interest expense	(44)	(44)	(88)	(88)
Other, net	41	27	99	93
Other income, net	2,297	3,052	4,931	6,348
Income before income taxes	25,330	23,460	23,792	22,057
Provision for income taxes	6,876	6,759	6,359	5,492
Net income	$ 18,454	$ 16,701	$ 17,433	$ 16,565
Basic income per common share	$ 0.72	$ 0.64	$ 0.68	$ 0.63
Weighted average number of basic common shares outstanding	25,592	26,067	25,700	26,174
Diluted income per common share	$ 0.70	$ 0.62	$ 0.66	$ 0.62
Weighted average number of diluted common shares outstanding	26,215	26,765	26,309	26,794

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(In Thousands)

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024
Net income	$ 18,454	$ 16,701
Unrealized gains (losses) on investments, net of tax of $727 and ($16) in 2025 and 2024, respectively	1,872	(43)
Comprehensive income	$ 20,326	$ 16,658

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Net income	$ 17,433	$ 16,565
Unrealized gains (losses) on investments, net of tax of $1,893 and ($588) in 2025 and 2024, respectively	4,980	(1,539)
Comprehensive income	$ 22,413	$ 15,026

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2025
(Unaudited)
(In Thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2024	25,784	$ 258	$ 40,396	$ (19,245)	$ 199,995	$ 221,404
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	179	2	691	—	—	693
Common stock repurchased on vesting of restricted stock units and performance awards	(56)	(1)	(2,271)	—	—	(2,272)
Share-based compensation expense	—	—	2,658	—	—	2,658
Company repurchases of common stock	(229)	(2)	(366)	—	(8,792)	(9,160)
Cash dividends on common stock ($0.08 per share)	—	—	—	—	(2,059)	(2,059)
Unrealized gain on investments, net of tax	—	—	—	3,108	—	3,108
Net loss	—	—	—	—	(1,021)	(1,021)
Balance, March 31, 2025	25,678	$ 257	$ 41,108	$ (16,137)	$ 188,123	$ 213,351
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	18	—	123	—	—	123
Common stock repurchased on vesting of restricted stock units and performance awards	(2)	—	(70)	—	—	(70)
Share-based compensation expense	—	—	2,265	—	—	2,265
Company repurchases of common stock	(197)	(2)	(333)	—	(7,795)	(8,130)
Cash dividends on common stock ($0.08 per share)	—	—	—	—	(2,048)	(2,048)
Unrealized gain on investments, net of tax	—	—	—	1,872	—	1,872
Net income	—	—	—	—	18,454	18,454
Balance, June 30, 2025	25,497	$ 255	$ 43,093	$ (14,265)	$ 196,734	$ 225,817

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2024
(Unaudited)
(In Thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2023	26,290	$ 263	$ 36,743	$ (20,801)	$ 182,935	$ 199,140
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	140	1	375	—	—	376
Common stock repurchased on vesting of restricted stock units and performance awards	(50)	(1)	(1,455)	—	—	(1,456)
Share-based compensation expense	—	—	2,187	—	—	2,187
Company repurchases of common stock	(236)	(2)	(350)	—	(6,704)	(7,056)
Cash dividends on common stock ($0.075 per share)	—	—	—	—	(1,970)	(1,970)
Unrealized loss on investments, net of tax	—	—	—	(1,496)	—	(1,496)
Net loss	—	—	—	—	(136)	(136)
Balance, March 31, 2024	26,144	$ 261	$ 37,500	$ (22,297)	$ 174,125	$ 189,589
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	41	—	7	—	—	7
Common stock repurchased on vesting of restricted stock units and performance awards	(13)	—	(397)	—	—	(397)
Share-based compensation expense	—	—	2,106	—	—	2,106
Company repurchases of common stock	(223)	(2)	(334)	—	(6,711)	(7,047)
Cash dividends on common stock ($0.075 per share)	—	—	—	—	(1,955)	(1,955)
Unrealized loss on investments, net of tax	—	—	—	(43)	—	(43)
Net income	—	—	—	—	16,701	16,701
Balance, June 30, 2024	25,949	$ 259	$ 38,882	$ (22,340)	$ 182,160	$ 198,961

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

Barrett Business Services, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Cash flows from operating activities:		
Net income	$ 17,433	$ 16,565
Reconciliations of net income to net cash used in operating activities:		
Depreciation and amortization	3,996	3,764
Non-cash operating lease expense	3,304	3,308
Net investment amortization (accretion) and losses (gains) recognized	137	(498)
Losses recognized on sale of property	16	—
Deferred income taxes	22	—
Share-based compensation	4,923	4,293
Changes in certain operating assets and liabilities:		
Trade accounts receivable	(29,642)	(40,158)
Income taxes	2,986	6,803
Prepaid expenses and other	(7,071)	984
Accounts payable	(1,854)	(2,197)
Accrued payroll and related benefits	24,232	30,146
Payroll taxes payable	(8,659)	(13,370)
Other accrued liabilities	370	(434)
Premium payable	(41,169)	(29,827)
Workers' compensation claims liabilities	(14,449)	(18,265)
Operating lease liabilities	(3,254)	(3,436)
Other assets and liabilities, net	74	(31)
Net cash used in operating activities	(48,605)	(42,353)
Cash flows from investing activities:		
Purchase of property, equipment and software	(8,926)	(7,709)
Purchase of investments	(7,669)	—
Proceeds from sales and maturities of investments	13,139	10,607
Purchase of restricted investments	(35,126)	(7,650)
Proceeds from sales and maturities of restricted investments	64,699	61,758
Net cash provided by investing activities	26,117	57,006
Cash flows from financing activities:		
Proceeds from credit-line borrowings	4,508	415
Payments on credit-line borrowings	(4,508)	(415)
Repurchases of common stock	(17,290)	(14,103)
Common stock repurchased on vesting of restricted stock units and performance awards	(2,342)	(1,853)
Dividends paid	(4,107)	(3,925)
Proceeds from exercise of stock options and purchase of ESPP shares	816	383
Net cash used in financing activities	(22,923)	(19,498)
Net decrease in cash, cash equivalents and restricted cash	(45,411)	(4,845)
Cash, cash equivalents and restricted cash, beginning of period	82,588	74,841
Cash, cash equivalents and restricted cash, end of period	$ 37,177	$ 69,996

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

Note 1 - Basis of Presentation of Interim Period Statements

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Barrett Business Services, Inc. ("BBSI", the "Company", "our" or "we"), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. The accompanying condensed financial statements are prepared on a consolidated basis. All intercompany account balances and transactions have been eliminated in consolidation. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ from such estimates and assumptions. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2024 Annual Report on Form 10-K, as amended, at pages 2 - 30. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

Common stock split

On June 4, 2024, we amended our Charter to increase the number of authorized shares of common stock from 20,500,000 shares to 82,000,000 shares, and our Board of Directors declared a four-for-one split of the Company's common stock effected in the form of a stock dividend (the "2024 Stock Split"). Each stockholder of record at the close of business on June 14, 2024 received a dividend of three additional shares of common stock for each then-held share, distributed after close of trading on June 21, 2024. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2024 Stock Split. The shares of common stock retain a par value of $0.01 per share. Accordingly, an amount equal to the par value of the additional shares issued due to the stock split was reclassified from additional paid-in capital to common stock.

Reportable segment

BBSI has one operating and reportable segment which provides business management solutions to small and mid-sized companies. The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The CODM is provided financial information presented on a consolidated basis, including consolidated gross margin and consolidated net income, to assess the financial performance of the Company and to decide how to allocate resources, including by reinvesting profits into our single operating segment or pursuing other strategic initiatives, such as stock repurchases or acquisitions. The financial information presented to the CODM, including the expense categories, is consistent with the financial information contained in these consolidated financial statements.

The accounting policies of our reportable segment are the same as those of the consolidated entity.

BBSI derives revenue exclusively in the United States and all of the Company's long-lived assets are located in the United States.

Revenue recognition

Professional employer ("PEO") services are normally used by organizations to satisfy ongoing needs related to the management of human capital and are governed by the terms of a client services agreement which covers all employees at a particular work site. Staffing revenues relate primarily to short-term staffing, contract staffing and on-site management services. The Company's performance obligations for PEO and staffing services are satisfied, and the related revenue is recognized, as services are rendered by our workforce.

Our PEO client service agreements have a minimum term of one year, are renewable on an annual basis and typically require 30 days' written notice to cancel or terminate the contract by either party. In addition, our client service agreements provide for immediate termination upon any payment default of the client regardless of when notice is given. PEO customers are invoiced following the end of each payroll processing cycle, with payment generally due on the invoice date. Staffing customers are generally invoiced weekly based on agreed rates per employee and actual hours worked, typically with payment terms of 30 days. The amount of earned but unbilled revenue is classified as a receivable on the condensed consolidated balance sheets.

We report PEO revenues net of direct payroll costs because we are not the primary obligor for these payments to our clients' employees. Direct payroll costs include salaries, wages, health insurance, and employee out-of-pocket expenses incurred incidental to employment.

Cost of revenues

Our cost of revenues for PEO services includes employer payroll-related taxes, workers' compensation costs and employee benefits costs. Our cost of revenues for staffing services includes direct payroll costs, employer payroll-related taxes, and workers' compensation costs. Direct payroll costs represent the gross payroll earned by staffing services employees based on salary or hourly wages. Payroll taxes consist of the employer's portion of Social Security and Medicare taxes and federal and state unemployment taxes. Benefit costs primarily comprise health insurance premiums paid to third-party carriers as part of our fully insured PEO benefits programs and underwriting and benefit consultant payroll. Workers' compensation costs consist primarily of premiums paid to third-party insurers, claims reserves, claims administration fees, legal fees, medical cost containment ("MCC") expense, state administrative agency fees, third-party broker commissions, and risk manager payroll, as well as costs associated with operating our two wholly owned insurance companies, Associated Insurance Company for Excess ("AICE") and Ecole Insurance Company ("Ecole").

Cash and cash equivalents

We consider non-restricted short-term investments that are highly liquid, readily convertible into cash, and have maturities at acquisition of less than three months to be cash equivalents for purposes of the condensed consolidated statements of cash flows and condensed consolidated balance sheets. The Company maintains cash balances in bank accounts that normally exceed FDIC insured limits. The Company has not experienced any losses related to its cash concentration.

Investments

The Company classifies investments as available-for-sale. The Company's investments are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive income (loss) in stockholders' equity. Investments are recorded as current on the condensed consolidated balance sheets as the invested funds are available for current operations. Management considers available evidence in evaluating potential impairment of investments, including the extent to which fair value is less than cost and adverse conditions related to the security. In the event of a credit loss, an allowance would be recognized to the extent that the fair value of the security is less than the present value of the expected future cash flows. Realized gains and losses on sales of investments are included in investment income, net in our condensed consolidated statements of operations. Investment income, net in the condensed consolidated statements of operations includes interest income of $2.5 million and $3.1 million for the three months ended June 30, 2025 and 2024, respectively. Investment income, net in the condensed consolidated statements of operations includes interest income of $4.9 million and $6.2 million for the six months ended June 30, 2025 and 2024, respectively.

Restricted cash and investments

The Company holds restricted cash and investments primarily for the future payment of insurance premiums and workers' compensation claims. These investments are categorized as available-for-sale. They are reported at fair value with unrealized gains and losses, net of taxes, shown as a component of accumulated other comprehensive income (loss) in stockholders' equity. Restricted cash and investments are classified as current and noncurrent on the condensed consolidated balance sheets based on the nature of the restriction. Management considers available evidence in evaluating potential impairment of restricted investments, including the extent to which fair value is less than cost and adverse conditions related to the security. In the event of a credit loss, an allowance would be recognized to the extent that the fair value of the security is less than the present value of the expected future cash flows. Realized gains and losses on sales of restricted investments are included in investment income in our condensed consolidated statements of operations.

Restricted cash and investments also includes investments held as part of the Company's deferred compensation plan. These investments are classified as trading securities and are recorded at fair value with unrealized gains and losses reported as a component of income (loss) from operations.

Trade accounts receivable

PEO customers are invoiced following the end of each payroll processing cycle, with payment generally due on the invoice date, and staffing customers are generally invoiced weekly with payment terms of 30 days. The balance in trade accounts receivable comprises primarily unbilled receivables of $252.2 million and $218.8 million at June 30, 2025 and December 31, 2024, respectively. The remaining balance of $12.8 million and $16.6 million in trade accounts receivable at June 30, 2025 and December 31, 2024, respectively, is primarily related to outstanding billings to staffing clients, offset by an allowance for expected credit losses of $0.9 million at both June 30, 2025 and December 31, 2024.

Allowance for expected credit losses

The Company had an allowance for expected credit losses of $0.9 million at June 30, 2025 and December 31, 2024. We make estimates of the collectability of our accounts receivable for services provided to our customers based on future expected credit losses. Management analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customers' payment trends when evaluating the adequacy of the allowance for expected credit losses. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances may be required.

Workers' compensation claims liabilities

Our workers' compensation claims liabilities do not represent an exact calculation of liability, but rather management's best estimate of future obligation amounts under workers' compensation programs where the Company retains risk. These estimates utilize actuarial expertise and projection techniques at a given reporting date, and are based on an evaluation of information provided by our third-party administrator for workers' compensation claims, coupled with an actuarial estimate of future loss development with respect to reported claims and incurred but not reported claims (together, "IBNR"). Workers' compensation claims liabilities include case reserve estimates for reported losses, plus additional amounts for estimated IBNR claims, MCC and legal costs, unallocated loss adjustment expenses and estimated future recoveries. The estimate of incurred costs expected to be paid within one year is included in current liabilities, while the estimate of incurred costs expected to be paid beyond one year is included in long-term liabilities on our condensed consolidated balance sheets. These estimates are reviewed at least quarterly and adjustments to estimated liabilities are reflected in current operating results as they become known.

The process of arriving at an estimate of unpaid claims and claims adjustment expense involves a high degree of judgment and is affected by both internal and external events, including changes in claims handling practices, changes in reserve estimation procedures, inflation, trends in the litigation and settlement of pending claims, and legislative changes.

Our estimates are based on actuarial analysis and informed judgment, derived from individual experience and expertise applied to multiple sets of data and analyses. We consider significant facts and circumstances known both at the time that loss reserves are initially established and as new facts and circumstances become known. Due to the inherent uncertainty underlying loss reserve estimates, the expenses incurred through final resolution of our liability for our workers' compensation claims will likely vary from the related loss reserves at the reporting date. Therefore, as specific claims are paid out in the future, actual paid losses may be materially different from our current loss reserves.

A basic premise in most actuarial analyses is that historical data and past patterns demonstrated in the incurred and paid historical data form a reasonable basis upon which to project future outcomes, absent a material change. Significant structural changes to the available data can materially impact the reserve estimation process. To the extent a material change affecting the ultimate claim liability becomes known, such change is quantified to the extent possible through an analysis of internal Company data and, if available and when appropriate, external data. Nonetheless, actuaries exercise a considerable degree of judgment in the evaluation of these factors and the need for such actuarial judgment is more pronounced when faced with material uncertainties.

Customer deposits

We require deposits from certain PEO customers to cover a portion of our accounts receivable due from such customers in the event of default of payment.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to the Company's stockholders.

Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under GAAP are included in comprehensive income (loss), but excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. Our other comprehensive income (loss) comprises unrealized holding gains and losses on our available-for-sale investments.

Statements of cash flows

Interest paid during the six months ended June 30, 2025 and 2024 did not materially differ from interest expense. Income taxes paid net of income tax refunds received by the Company during the six months ended June 30, 2025 totaled $3.3 million. Income tax refunds received net of income tax payments made by the Company during the six months ended June 30, 2024 totaled $0.9 million.

Bank deposits and other cash equivalents that are restricted for use are classified as restricted cash. The table below reconciles the cash, cash equivalents and restricted cash balances from our condensed consolidated balance sheets to the amounts reported on the condensed consolidated statements of cash flows (in thousands):

	June 30, 2025	December 31, 2024	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 26,348	$ 55,367	$ 40,348	$ 71,168
Restricted cash, included in restricted cash and investments	10,829	27,221	29,648	3,673
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 37,177	$ 82,588	$ 69,996	$ 74,841

Basic and diluted earnings per share

Basic earnings per share are computed based on the weighted average number of common shares outstanding for each year using the treasury method. Diluted earnings per share reflect the potential effects of the issuance of shares in connection with the exercise of outstanding stock options, vesting of outstanding restricted stock units and performance share units, and the Company's employee stock purchase plan. Basic and diluted shares outstanding adjusted to reflect the 2024 Stock Split are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Weighted average number of basic shares outstanding	25,592	26,067	25,700	26,174
Effect of dilutive securities	623	698	609	620
Weighted average number of diluted shares outstanding	26,215	26,765	26,309	26,794

Accounting estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are used for fair value measurement of investments, allowance for expected credit losses, deferred income taxes, carrying values for goodwill and property, equipment and software, and accrued workers' compensation liabilities. Actual results may or may not differ from such estimates.

Reclassifications

To conform to the current period's presentation, the prior period net cash inflows from accrued payroll, payroll taxes and related benefits in the condensed consolidated statements of cash flows of $16.8 million was disaggregated into net cash inflows from accrued payroll and related benefits of $30.2 million and net cash outflows from payroll taxes payable of $13.4 million.

All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2024 Stock Split. To conform to the current period's presentation, additional paid-in-capital of approximately $0.2 million was reclassified to common stock in the prior periods' condensed consolidated statements of stockholders' equity.

Recent accounting pronouncements

The following Accounting Standards Updates (ASUs) have been issued recently by the Financial Accounting Standards Board (FASB).

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU 2023-09, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The ASU applies to all entities subject to income taxes. The new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. We plan to adopt this ASU for the annual reporting period of our fiscal year beginning January 1, 2025. We are evaluating the impact of applying this new accounting guidance to our income tax disclosures but do not expect the adoption of this ASU to have any material effects on the Company's financial condition, results of operations, or cash flows.

ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“DISE”)*

In November 2024, the FASB issued ASU 2024-03, which requires disclosure of specified information about certain costs and expenses in the notes to interim and annual financial statements. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all prior periods presented in the financial statements. We are evaluating the impact of this new accounting standard but do not expect the adoption of this ASU to have any material effects on the Company’s financial condition, results of operations, or cash flows.

Note 2 - Fair Value Measurement

The following table summarizes the Company’s investments at June 30, 2025 and December 31, 2024 measured at fair value on a recurring basis (in thousands):

	June 30, 2025				December 31, 2024			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis
Current:								
Cash equivalents:								
Money market funds	$ 8,314	$ —	$ —	$ 8,314	$ 26,661	$ —	$ —	$ 26,661
Total cash equivalents	8,314	—	—	8,314	26,661	—	—	26,661
Investments:								
Corporate bonds	27,901	5	(1,660)	26,246	27,954	3	(2,365)	25,592
U.S. treasuries	14,260	—	(849)	13,411	12,460	—	(1,140)	11,320
Mortgage-backed securities	11,663	—	(2,335)	9,328	12,128	—	(2,592)	9,536
U.S. government agency securities	7,687	—	(89)	7,598	12,734	—	(203)	12,531
Asset-backed securities	7,585	10	(81)	7,514	7,610	12	(109)	7,513
Total current investments	69,096	15	(5,014)	64,097	72,886	15	(6,409)	66,492
Restricted cash and investments [1]:								
Corporate bonds	81,572	51	(5,123)	76,500	100,030	16	(7,302)	92,744
U.S. treasuries	53,054	11	(4,540)	48,525	54,900	—	(6,348)	48,552
Mortgage-backed securities	39,274	53	(4,737)	34,590	40,858	10	(5,674)	35,194
Mutual funds	12,330	—	—	12,330	10,961	—	—	10,961
U.S. government agency securities	6,686	—	(455)	6,231	16,785	—	(914)	15,871
Asset-backed securities	1,527	9	(3)	1,533	1,666	6	(1)	1,671
Emerging markets	199	6	—	205	200	1	—	201
Money market funds	101	—	—	101	216	—	—	216
Total restricted cash and investments	194,743	130	(14,858)	180,015	225,616	33	(20,239)	205,410
Total investments	$ 272,153	$ 145	$ (19,872)	$ 252,426	$ 325,163	$ 48	$ (26,648)	$ 298,563

[1] Included in restricted cash and investments within the condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024 is restricted cash of $10.7 million and $26.7 million, respectively, which is excluded from the table above. Restricted cash and investments are classified as current and noncurrent on the balance sheet based on the nature of the restriction.

The following table summarizes the Company's investments at June 30, 2025 and December 31, 2024 measured at fair value on a recurring basis by fair value hierarchy level (in thousands):

	June 30, 2025				December 31, 2024			
	Total Recorded Basis	Level 1	Level 2	Other [(1)]	Total Recorded Basis	Level 1	Level 2	Other [(1)]
Cash equivalents:								
Money market funds	$ 8,314	$ —	$ —	$ 8,314	$ 26,661	$ —	$ —	$ 26,661
Investments:								
Corporate bonds	26,246	—	26,246	—	25,592	—	25,592	—
U.S. treasuries	13,411	—	13,411	—	11,320	—	11,320	—
Mortgage-backed securities	9,328	—	9,328	—	9,536	—	9,536	—
U.S. government agency securities	7,598	—	7,598	—	12,531	—	12,531	—
Asset-backed securities	7,514	—	7,514	—	7,513	—	7,513	—
Restricted cash and investments:								
Corporate bonds	76,500	—	76,500	—	92,744	—	92,744	—
U.S. treasuries	48,525	—	48,525	—	48,552	—	48,552	—
Mortgage-backed securities	34,590	—	34,590	—	35,194	—	35,194	—
Mutual funds	12,330	12,330	—	—	10,961	10,961	—	—
U.S. government agency securities	6,231	—	6,231	—	15,871	—	15,871	—
Asset-backed securities	1,533	—	1,533	—	1,671	—	1,671	—
Emerging markets	205	—	205	—	201	—	201	—
Money market funds	101	—	—	101	216	—	—	216
Total investments	$ 252,426	$ 12,330	$ 231,681	$ 8,415	$ 298,563	$ 10,961	$ 260,725	$ 26,877

[(1)] Investments in money market funds measured at fair value using the net asset value per share practical expedient are not subject to hierarchy level classification disclosure. The Company invests in money market funds that seek to maintain a stable net asset value. These investments include commingled funds that comprise high-quality short-term securities representing liquid debt and monetary instruments where the redemption value is likely to be the fair value. Redemption is permitted daily without written notice.

The following table summarizes the contractual maturities of the Company's available-for-sale securities at June 30, 2025 and December 31, 2024. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties. The table also includes money market funds, which are classified as cash and cash equivalents on the Company's condensed consolidated balance sheets.

	June 30, 2025				
(In thousands)	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	Total
Corporate bonds	$ 5,031	$ 87,516	$ 10,199	$ —	$ 102,746
U.S. treasuries	497	43,580	17,859	—	61,936
U.S. government agency securities	3,060	9,683	1,086	—	13,829
Asset-backed securities	—	1,126	151	7,770	9,047
Money market funds	8,415	—	—	—	8,415
Emerging markets	—	—	205	—	205
Total	$ 17,003	$ 141,905	$ 29,500	$ 7,770	$ 196,178

	December 31, 2024				
(In thousands)	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	Total
Corporate bonds	$ 18,815	$ 76,574	$ 22,947	$ —	$ 118,336
U.S. treasuries	497	42,333	17,042	—	59,872
U.S. government agency securities	8,014	19,333	1,055	—	28,402
Money market funds	26,877	—	—	—	26,877
Asset-backed securities	—	1,228	6,654	1,302	9,184
Emerging markets	—	—	201	—	201
Total	$ 54,203	$ 139,468	$ 47,899	$ 1,302	$ 242,872

The average contractual maturity of mortgage-backed securities, which are excluded from the table above, was 21 years at each of June 30, 2025 and December 31, 2024.

The fair values and gross unrealized losses of the Company’s available for sale securities that were in an unrealized loss position as of June 30, 2025 and December 31, 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

	June 30, 2025					
	Less than 12 months		12 months or longer		Total	
	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses
Investments:						
Corporate bonds	$ —	$ —	$ 26,028	$ (1,660)	$ 26,028	$ (1,660)
U.S. treasuries	—	—	13,411	(849)	13,411	(849)
Mortgage-backed securities	—	—	9,329	(2,335)	9,329	(2,335)
U.S. government agency securities	—	—	5,262	(89)	5,262	(89)
Asset-backed securities	—	—	1,304	(81)	1,304	(81)
Total investments	—	—	55,334	(5,014)	55,334	(5,014)
Restricted investments:						
Corporate bonds	397	(1)	72,903	(5,122)	73,300	(5,123)
U.S. treasuries	1,219	(5)	46,592	(4,535)	47,811	(4,540)
Mortgage-backed securities	1,522	(17)	28,584	(4,720)	30,106	(4,737)
U.S. government agency securities	—	—	5,507	(455)	5,507	(455)
Asset-backed securities	257	(3)	—	—	257	(3)
Total restricted investments	3,395	(26)	153,586	(14,832)	156,981	(14,858)
Total investments and restricted investments	$ 3,395	$ (26)	$ 208,920	$ (19,846)	$ 212,315	$ (19,872)

	December 31, 2024					
	Less than 12 months		12 months or longer		Total	
	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses	Recorded Basis	Gross Unrealized Losses
Investments:						
Corporate bonds	$ 20	$ —	$ 25,377	$ (2,365)	$ 25,397	$ (2,365)
U.S. government agency securities	—	—	12,531	(203)	12,531	(203)
U.S. treasuries	—	—	11,320	(1,140)	11,320	(1,140)
Mortgage-backed securities	—	—	9,536	(2,592)	9,536	(2,592)
Asset-backed securities	—	—	1,301	(109)	1,301	(109)
Total investments	20	—	60,065	(6,409)	60,085	(6,409)
Restricted investments:						
Corporate bonds	11,142	(15)	71,716	(7,287)	82,858	(7,302)
U.S. treasuries	1,399	(29)	46,656	(6,319)	48,055	(6,348)
Mortgage-backed securities	3,360	(37)	29,877	(5,637)	33,237	(5,674)
U.S. government agency securities	—	—	15,871	(914)	15,871	(914)
Asset-backed securities	443	(1)	—	—	443	(1)
Total restricted investments	16,344	(82)	164,120	(20,157)	180,464	(20,239)
Total investments and restricted investments	$ 16,364	$ (82)	$ 224,185	$ (26,566)	$ 240,549	$ (26,648)

We have determined that the gross unrealized losses on our investments as of June 30, 2025 and December 31, 2024 were temporary in nature. The decline in fair value was due to changes in market interest rates, rather than credit losses.

Note 3 – Workers' Compensation Claims Liabilities

The following table summarizes the aggregate workers' compensation reserve activity (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Beginning balance				
Workers' compensation claims liabilities	$ 121,228	$ 158,054	$ 128,446	$ 167,763
Add: claims expense incurred				
Current period	2,697	3,699	6,025	7,299
Prior periods	(3,222)	(1,830)	(7,004)	(4,822)
Total claims expense incurred	(525)	1,869	(979)	2,477
Less: claim payments related to				
Current period	1,179	1,565	2,357	2,519
Prior periods	5,593	8,734	11,113	18,223
Total claim payments	6,772	10,299	13,470	20,742
Change in claims incurred in excess of retention limits	(29)	6	(95)	132
Ending balance				
Workers' compensation claims liabilities	$ 113,902	$ 149,630	$ 113,902	$ 149,630

Insured program

The Company provides workers' compensation coverage for client employees primarily through arrangements with fully licensed, third-party insurers (the "insured program"). Under this program, carriers issue policies or afford coverage to the Company's clients under a program maintained by the Company. Approximately 86% of the Company's workers' compensation exposure is covered through the insured program.

Effective July 1, 2021, the Company entered into a fully insured arrangement for its insured program, whereby third-party insurers assume substantially all risk of loss for claims incurred under the program. This fully insured arrangement has been extended annually and covers claims incurred between July 1, 2021 and June 30, 2026.

Each annual fully insured policy allows BBSI to participate in savings if claims develop favorably up to a maximum per policy year ranging from $20.0 million to $30.0 million, depending on the policy period. For the policy period from July 1, 2021 to June 30 2022, BBSI can incur additional premiums up to $7.5 million if claims develop adversely. For all other policy years, no additional premiums can be charged based on claim performance.

Premiums incurred but not paid are recorded as either current or long-term premium payable on the condensed consolidated balance sheets based on the expected timing of the payments.

For claims incurred under the insured program prior to July 1, 2021, the Company retains risk of loss up to the first $3.0 million per occurrence on policies issued after June 30, 2020 and $5.0 million per occurrence on policies issued before that date.

Claim obligations for policies issued under the insured program between February 1, 2014 and June 30, 2018 were removed through loss portfolio transfers in 2020 and 2021.

The following is a summary of the risk retained by the Company under its insured program after considering the effects of the loss portfolio transfers and current insurance arrangements:

Year	Claims risk retained
2014	No
2015	No
2016	No
2017	No
2018 (1)	No
2019 (1)	Yes
2020	Yes
2021 - Through June 30	Yes
2021 - July 1 and after	No
2022	No
2023	No
2024	No
2025	No

(1) The loss portfolio transfers excluded approximately 10% of claims from 2018 and included an approximately offsetting amount of claims from 2019.

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the “trust account”). The balance in the trust account was $153.9 million and $197.1 million at June 30, 2025 and December 31, 2024, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company’s condensed consolidated balance sheets.

Self-insured programs

The Company is a self-insured employer with respect to workers' compensation coverage for all employees, including employees of PEO clients that elect to participate in our workers’ compensation program, working in Colorado, Maryland, Ohio, and Oregon. In the state of Washington, state law allows only the Company's staffing services and internal management employees to be covered under the Company's self-insured workers' compensation program. The Company also operates a wholly owned, fully licensed insurance company, Ecole, which provides workers’ compensation coverage to client employees working in Arizona and Utah. Approximately 14% of the Company’s workers’ compensation exposure is covered through self-insurance or Ecole (the “self-insured programs”).

For all claims incurred under the Company’s self-insured programs, the Company retains risk of loss up to the first $3.0 million per occurrence, except in Maryland and Colorado, where the Company’s retention per occurrence is $1.0 million and $2.0 million, respectively. For claims incurred under the Company’s self-insured programs prior to July 1, 2020, the Company retains risk of loss up to the first $5.0 million per occurrence, except in Maryland and Colorado, where the retention per occurrence is $1.0 million and $2.0 million, respectively.

The states of California, Maryland, Oregon, Washington, Colorado and Delaware required the Company to maintain collateral totaling $52.1 million and $55.9 million at June 30, 2025 and December 31, 2024, respectively, to cover potential workers’ compensation claims losses related to the Company’s current and former status as a self-insured employer. At June 30, 2025, the Company provided surety bonds totaling $52.1 million.

Claims liabilities

The Company provided a total of $113.9 million and $128.4 million at June 30, 2025 and December 31, 2024, respectively, as an estimated future liability for unsettled workers' compensation claims liabilities. Of this amount, $5.9 million and $6.0 million at June 30, 2025 and December 31, 2024, respectively, represent case reserves and IBNR in excess of the Company’s retention. The accrual for costs incurred in excess of retention is offset by a receivable from insurance carriers of $5.9 million and $6.0 million at June 30, 2025 and December 31, 2024, respectively, which is included in other assets in the condensed consolidated balance sheets.

Note 4 - Revolving Credit Facility and Long-Term Debt

The Company maintains an agreement (the “Agreement”) with Wells Fargo Bank, N.A. (the “Bank”) for a revolving credit line of $50.0 million and a sublimit for standby letters of credit of $25.0 million. Advances under the revolving credit line bear interest, as selected by the Company, of (a) the daily Simple Secured Overnight Financing Rate (“SOFR”) plus 1.75% or (b) one-month Term SOFR plus 1.75%. The Agreement also provides for an unused commitment fee of 0.35% per year on the average daily unused amount of the revolving credit line, as well as a fee of 1.75% of the face amount of each letter of credit reserved under the line of credit. The Company had no outstanding borrowings on its revolving credit line at June 30, 2025 and December 31, 2024. The credit facility is collateralized by the Company’s accounts receivable and other rights to receive payment. The revolving credit facility will mature on July 1, 2026, unless extended.

The Agreement requires the satisfaction of certain financial covenants as follows:

- adjusted free cash flow [net profit after taxes plus interest expense (net of capitalized interest), depreciation expense, and amortization expense, less dividends/distributions] not less than $10 million as of each fiscal quarter end, determined on a rolling 4-quarter basis; and
- tangible net worth [aggregate of total stockholders' equity plus subordinated debt less any intangible assets and less any loans or advances to, or investments in, any related entities or individuals] not less than $50 million at each fiscal quarter end.

The Agreement imposes certain additional restrictions unless the Bank provides its prior written consent as follows:

- incurring additional indebtedness is prohibited, other than purchase financing for the acquisition of assets, provided that the aggregate of all purchase financing does not exceed $1 million at any time;
- the Company may not terminate or cancel any of the AICE policies; and
- if an event of default occurs, and is continuing, including on a pro forma basis, no dividends or distributions would be permitted to be paid and redemptions and repurchases of the Company's stock would be permitted only up to $15 million in any rolling 12-month period.

The Agreement also contains customary events of default and specified cross-defaults under the Company's workers' compensation insurance arrangements. If an event of default under the Agreement occurs and is continuing, the Bank may declare any outstanding obligations under the Agreement to be immediately due and payable. At June 30, 2025, the Company was in compliance with all covenants.

Note 5 – Income Taxes

On July 4, 2025, the One Big Beautiful Bill Act was signed into law, extending key provisions of the 2017 Tax Cuts and Jobs Act including, but not limited to, federal bonus depreciation and deductions for domestic research and development expenditures. The Company is currently evaluating the impact of the new legislation but does not expect it to have a material impact on its results of operations.

Under ASC 740, “Income Taxes,” management evaluates the realizability of the deferred tax assets on a quarterly basis under a “more-likely-than-not” standard. As part of this evaluation, management reviews all evidence both positive and negative to determine if a valuation allowance is needed. One component of this analysis is to determine whether the Company was in a cumulative loss position for the most recent 12 quarters. The Company was in a cumulative income position for the 12 quarters ended June 30, 2025. At June 30, 2025 and December 31, 2024, the Company had not recorded a valuation allowance against its deferred tax assets.

The Company’s realization of a portion of net deferred tax assets is based in part on our estimates of the timing of reversals of certain temporary differences and on the generation of taxable income before such reversals.

The Company is subject to income taxes in U.S. federal and multiple state and local tax jurisdictions. The Internal Revenue Service (the “IRS”) is examining the Company’s federal tax returns for the years ended December 31, 2017 through 2021. BBSI received notices that the IRS intends to disallow certain wage-based tax credits claimed for the years 2017 through 2021, which could result in estimated total additional taxes of $8.0 million and penalties and interest of $4.8 million. The Company disagrees with the IRS determination to disallow certain wage-based credits taken by the Company and has filed U.S. Tax Court petitions challenging these notices. We believe that the Company has the technical merits to defend its position. Based on management’s more-likely-than-not assessment that the Company's position is sustainable, no reserve for the aforementioned IRS notices of disallowance of wage-based tax credits or underpayment penalties has been recorded in the financial statements.

In the major jurisdictions where it operates, the Company is generally no longer subject to income tax examinations by tax authorities for tax years before 2017. As of June 30, 2025 and December 31, 2024, total gross unrecognized tax benefits, excluding interest and penalties, of $0.5 million, would affect the Company's effective tax rate if recognized in future periods. The Company does not anticipate any material changes to the reserve in the next 12 months.

A portion of the consolidated income the Company generates is not subject to state income tax. Depending on the percentage of this income as compared to total consolidated income, the Company's state effective tax rate could fluctuate from expectations.

At June 30, 2025, the Company had no operating loss carryforwards or tax credit carryforwards.

Note 6 – Litigation

On April 5, 2011, several individual plaintiffs filed a wage and hour class action in the California Superior Court, County of Fresno, which was subsequently removed to the United States District Court for the Eastern District of California, naming as defendants their employer, a Merry Maids franchisee; BBSI, which was providing PEO services to the franchisee; and various parties related to the franchisor. Plaintiffs claimed, among other things, that BBSI and the franchisor were their joint employer with the franchisee and therefore jointly responsible for the alleged wage and hour violations. BBSI's position is that it was not the plaintiffs' joint employer. Notwithstanding, the plaintiffs and BBSI reached an agreement to settle the matter, which was filed with the trial court for court approval pursuant to the rules for class action settlements. The settlement was preliminarily approved by the trial court in June 2025 and will be the subject of a future final approval hearing currently scheduled for October 2025.

BBSI is subject to other legal proceedings and claims that arise in the ordinary course of our business. There are significant uncertainties surrounding litigation. For the settlement agreement discussed above, as well as other cases, management recorded estimated liabilities totaling $2.1 million and $1.7 million at June 30, 2025 and December 31, 2024, respectively, in other accrued liabilities in the condensed consolidated balance sheets.

Note 7 – Subsequent Events

Share Repurchase Program

On August 4, 2025, the Company’s board of directors authorized a share repurchase program to acquire up to $100.0 million of the Company’s common stock over a two-year period beginning August 4, 2025. The new repurchase program replaces the program approved in July 2023, under which a total of 1,919,334 shares of common stock have been purchased.

Purchases under the new program will be made in the open market, including in block trades. Subject to the requirements of applicable federal securities laws, the timing and volume of purchases will be in the discretion of BBSI’s management, except to the extent that the Company elects to enter into one or more Rule 10b5-1 trading plans.

We have evaluated events and transactions occurring after the balance sheet date through our filing date and noted no other events that are subject to recognition or disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Company Background Barrett Business Services, Inc. ("BBSI," the "Company," "our" or "we"), is a leading provider of business management solutions for small and mid-sized companies. The Company has developed a management platform that integrates a knowledge-based approach from the management consulting industry with tools from the human resource outsourcing industry. This platform, through the effective leveraging of human capital, helps our business owner clients run their businesses more effectively. We believe this platform, delivered through a decentralized organizational structure, differentiates BBSI from our competitors. BBSI was incorporated in Maryland in 1965.

Business Strategy Our strategy is to align local operations teams with the mission of small and mid-sized business owners, driving value to their business. To do so, BBSI:

- partners with business owners to leverage their investment in human capital through a high-touch, results-oriented approach;
- brings predictability to each client organization through a three-tiered management platform; and
- enables business owners to focus on their core business by reducing organizational complexity and maximizing productivity.

Business Organization We operate a decentralized delivery model using operationally focused business teams, typically located within 50 miles of our client companies. These teams are led by experienced business generalists and include senior-level professionals with expertise in human resources, organizational development, risk mitigation and workplace safety, recruiting, employee benefits, and various types of administration, including payroll. These teams are responsible for growth and profitability of their operations, and for providing strategic leadership, guidance and expert consultation to our client companies. The decentralized structure fosters autonomous decision-making in which business teams deliver plans that closely align with the objectives of each business owner client.

Services Overview BBSI's core purpose is to advocate for business owners, particularly in the small and mid-sized business segment. Our evolution from an entrepreneurially run company to a professionally managed organization has helped to form our view that all businesses experience inflection points at key stages of growth. The insights gained through our own growth, along with the trends we see in working with more than 8,100 companies each day, define our approach to guiding business owners through the challenges associated with being an employer. BBSI's business teams align with each business owner client through a structured three-tiered progression. In doing so, business teams focus on the objectives of each business owner and deliver planning, guidance and resources in support of those objectives.

Tier 1: Tactical Alignment

The first stage focuses on the mutual setting of expectations and is essential to a successful client relationship. It begins with a process of assessment and discovery in which the business owner's business objectives, philosophies, and culture are aligned with BBSI's processes, controls and culture. This stage includes an implementation process, which addresses the administrative components of employment.

Tier 2: Dynamic Relationship

The second stage of the relationship emphasizes organizational development as a means of achieving each client's business objectives. There is a focus on process improvement, development of best practices, supervisor training and leadership development.

Tier 3: Strategic Counsel

With an emphasis on advocacy on behalf of the business owner, the third stage of the relationship is more strategic and forward-looking with a goal of cultivating an environment in which all efforts are directed by the mission and long-term objectives of the business owner.

In addition to serving as a resource and guide, BBSI can provide workers' compensation coverage as a means of meeting statutory requirements and protecting our clients from employment-related injury claims. Through our third-party administrators, we provide claims management services for our clients. We work to manage and reduce job injury claims, identify fraudulent claims and structure optimal work programs, including modified duty.

In 2023, BBSI began offering additional employee benefit programs to our clients. The benefit programs available to clients include medical, dental and vision plans, flexible spending accounts and health savings accounts, life insurance and voluntary accident coverage, and critical illness and disability coverage, among others. These additional employee benefit programs are offered through fully insured arrangements with third-party carriers and are designed to provide strategic value to our clients through access to best-in-class plans and service.

Results of Operations

The following table sets forth the percentages of total revenues represented by selected items in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2025 and 2024 ($ in thousands):

	Percentage of Total Net Revenues							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2025		2024		2025		2024	
Revenues:								
Professional employer services	$ 290,170	94.3 %	$ 259,887	92.9 %	$ 565,096	94.1 %	$ 506,076	92.8 %
Staffing services	17,487	5.7	19,764	7.1	35,127	5.9	39,357	7.2
Total revenues	307,657	100.0	279,651	100.0	600,223	100.0	545,433	100.0
Cost of revenues:								
Direct payroll costs	13,165	4.3	14,693	5.3	26,471	4.4	29,410	5.4
Payroll taxes and benefits	173,277	56.3	148,810	53.2	360,283	60.0	310,705	57.0
Workers' compensation	47,956	15.6	48,251	17.3	97,586	16.3	97,854	17.9
Total cost of revenues	234,398	76.2	211,754	75.8	484,340	80.7	437,969	80.3
Gross margin	73,259	23.8	67,897	24.2	115,883	19.3	107,464	19.7
Selling, general and administrative expenses	48,188	15.7	45,577	16.3	93,026	15.5	87,991	16.1
Depreciation and amortization	2,038	0.7	1,912	0.7	3,996	0.7	3,764	0.7
Income from operations	23,033	7.5	20,408	7.2	18,861	3.1	15,709	2.9
Other income, net	2,297	0.7	3,052	1.1	4,931	0.8	6,348	1.2
Income before income taxes	25,330	8.2	23,460	8.3	23,792	3.9	22,057	4.1
Provision for income taxes	6,876	2.2	6,759	2.4	6,359	1.1	5,492	1.0
Net income	$ 18,454	6.0 %	$ 16,701	5.9 %	$ 17,433	2.8 %	$ 16,565	3.1 %

We report PEO revenues net of direct payroll costs because we are not the primary obligor for wage payments to our clients' employees. However, management believes that gross billings and wages are useful in understanding the volume of our business activity and serve as an important performance metric in managing our operations, including the preparation of internal operating forecasts and establishing executive compensation performance goals. We therefore present for purposes of analysis gross billings and wage information for the three and six months ended June 30, 2025 and 2024.

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
(in thousands)	2025	2024	2025	2024
Gross billings	$ 2,234,472	$ 2,029,036	$ 4,323,141	$ 3,936,584
PEO and staffing wages	$ 1,939,966	$ 1,764,182	$ 3,749,434	$ 3,420,626

In monitoring and evaluating the performance of our operations, management also reviews the following ratios, which represent selected amounts as a percentage of gross billings. Management believes these ratios are useful in understanding the efficiency and profitability of our service offerings.

	(Unaudited) Percentage of Gross Billings Three Months Ended June 30,		(Unaudited) Percentage of Gross Billings Six Months Ended June 30,	
	2025	2024	2025	2024
PEO and staffing wages	86.8%	86.9%	86.7%	86.9%
Payroll taxes and benefits	7.8%	7.3%	8.3%	7.9%
Workers' compensation	2.1%	2.5%	2.3%	2.5%
Gross margin	3.3%	3.3%	2.7%	2.7%

We refer to employees of our PEO clients as worksite employees (“WSEs”). Management reviews average and ending WSE growth to monitor and evaluate the performance of our operations. Average WSEs are calculated by dividing the number of unique individuals paid in each month by the number of months in the period. Ending WSEs represents the number of unique individuals paid in the last month of the period.

	(Unaudited) Three Months Ended June 30,			
	2025	Year-over-year % Growth	2024	Year-over-year % Growth
Average WSEs	138,969	8.0%	128,734	3.7%
Ending WSEs	140,671	8.2%	130,046	2.1%

	(Unaudited) Six Months Ended June 30,			
	2025	Year-over-year % Growth	2024	Year-over-year % Growth
Average WSEs	135,714	7.8%	125,892	3.4%
Ending WSEs	140,671	8.2%	130,046	2.1%

Three Months Ended June 30, 2025 and 2024

Net income for the second quarter of 2025 amounted to $18.5 million compared to net income of $16.7 million for the second quarter of 2024. Diluted net income per share for the second quarter of 2025 was $0.70 compared to diluted net income per share of $0.62 for the second quarter of 2024.

Revenue for the second quarter of 2025 totaled $307.7 million, an increase of $28.0 million or 10.0% over the second quarter of 2024, which reflects an increase in the Company’s PEO services revenue of $30.3 million or 11.7% and a decrease in staffing services revenue of $2.3 million or 11.5%.

The increase in PEO services revenue was primarily attributable to an 8.0% increase in the average number of WSEs as well as a 1.7% increase in average billing per WSE per day.

Gross margin for the second quarter of 2025 totaled $73.3 million or 23.8% of revenue compared to $67.9 million or 24.2% of revenue for the second quarter of 2024. The decrease in gross margin as a percentage of revenues is primarily a result of the factors discussed within the separate components of gross margin below.

Direct payroll costs for the second quarter of 2025 totaled $13.2 million or 4.3% of revenue compared to $14.7 million or 5.3% of revenue for the second quarter of 2024. The decrease in direct payroll costs as a percentage of revenues was primarily due to a decrease in staffing services within the mix of our customer base compared to the second quarter of 2024.

Payroll taxes and benefits for the second quarter of 2025 totaled $173.3 million or 56.3% of revenue compared to $148.8 million or 53.2% of revenue for the second quarter of 2024. The increase in payroll taxes and benefits expense as a percentage of revenue was primarily due to expanded adoption of our PEO client benefit programs, resulting in client benefit costs of $17.7 million in the second quarter of 2025 compared to $7.1 million in the second quarter of 2024, as well as higher average payroll tax rates in the second quarter of 2025.

Workers’ compensation expense for the second quarter of 2025 totaled $48.0 million or 15.6% of revenue compared to $48.3 million or 17.3% of revenue for the second quarter of 2024. The decrease in workers’ compensation expense as a percentage of revenue was primarily due to lower workers' compensation costs in the second quarter of 2025, which included favorable prior year liability and premium adjustments of $8.8 million, compared to favorable prior year liability and premium adjustments of $8.9 million in the second quarter of 2024.

Selling, general and administrative (“SG&A”) expenses for the second quarter of 2025 totaled $48.2 million or 15.7% of revenue compared to $45.6 million or 16.3% of revenue for the second quarter of 2024. The increase of $2.6 million in SG&A expense was primarily attributable to increased employee-related costs compared to the second quarter of 2024.

Other income, net for the second quarter of 2025 totaled $2.3 million compared to other income, net of $3.1 million for the second quarter of 2024. The decrease was primarily attributable to a decrease in investment income in the second quarter of 2025.

Our effective income tax rate for the second quarter of 2025 was 27.1% compared to 28.8% for the second quarter of 2024. Our income tax rate typically differs from the federal statutory tax rate of 21% primarily due to state taxes as well as federal and state tax credits.

Six Months Ended June 30, 2025 and 2024

Net income for the first six months of 2025 amounted to $17.4 million compared to net income of $16.6 million for the first six months of 2024. Diluted net income per share for the first six months of 2025 was $0.66 compared to diluted net income per share of $0.62 for the first six months of 2024.

Revenue for the first six months of 2025 totaled $600.2 million, an increase of $54.8 million or 10.0% over the first six months of 2024, which reflects an increase in the Company's PEO services revenue of $59.0 million or 11.7% and a decrease in staffing services revenue of $4.2 million or 10.7%.

The increase in PEO services revenue was primarily attributable to a 7.8% increase in the average number of WSEs as well as a 2.3% increase in average billing per WSE per day.

Gross margin for the first six months of 2025 totaled $115.9 million or 19.3% of revenue compared to $107.5 million or 19.7% of revenue for the first six months of 2024. The decrease in gross margin as a percentage of revenues is primarily a result of the factors discussed within the separate components of gross margin below.

Direct payroll costs for the first six months of 2025 totaled $26.5 million or 4.4% of revenue compared to $29.4 million or 5.4% of revenue for the first six months of 2024. The decrease in direct payroll costs as a percentage of revenues was primarily due to a decrease in staffing services within the mix of our customer base compared to the first six months of 2024.

Payroll taxes and benefits for the first six months of 2025 totaled $360.3 million or 60.0% of revenue compared to $310.7 million or 57.0% of revenue for the first six months of 2024. The increase in payroll taxes and benefits expense as a percentage of revenue was primarily due to higher average payroll tax rates in the first six months of 2025 and PEO client benefit costs of $34.7 million in the first six months of 2025 compared to $13.7 million in the first six months of 2024.

Workers' compensation expense for the first six months of 2025 totaled $97.6 million or 16.3% of revenue compared to $97.9 million or 17.9% of revenue for the first six months of 2024. The decrease in workers' compensation expense as a percentage of revenue was primarily due to lower workers' compensation costs in the first six months of 2025, including favorable prior year liability and premium adjustments of $12.6 million in the first six months of 2025 compared to favorable prior year liability and premium adjustments of $11.8 million in the first six months of 2024.

SG&A expense for the first six months of 2025 totaled $93.0 million or 15.5% of revenue compared to $88.0 million or 16.1% of revenue for the first six months of 2024. The increase of $5.0 million in SG&A expense was primarily attributable to increased employee-related costs compared to the first six months of 2024.

Other income, net for the first six months of 2025 totaled $4.9 million compared to other income, net of $6.3 million for the first six months of 2024. The decrease was primarily attributable to a decrease in investment income in the first six months of 2025.

Our effective income tax rate for the first six months of 2025 was 26.7% compared to 24.9% for the first six months of 2024. Our income tax rate typically differs from the federal statutory tax rate of 21% primarily due to state taxes as well as federal and state tax credits.

Fluctuations in Quarterly Operating Results

We historically have experienced significant fluctuations in our quarterly operating results, including losses or minimal income in the first quarter of each year, and expect such fluctuations to continue in the future. Our operating results may fluctuate due to a number of factors such as seasonality, wage limits on statutory payroll taxes, claims experience for workers’ compensation, demand for our services, and competition. Payroll taxes, as a component of cost of revenues, generally decline throughout a calendar year as the applicable statutory wage bases for federal and state unemployment taxes and Social Security taxes are exceeded on a per employee basis. Our revenue levels may be higher in the third quarter due to the effect of increased business activity of our customers’ businesses in the agriculture, food processing and forest products-related industries. In addition, revenues in the fourth quarter may be reduced by many customers’ practice of operating on holiday-shortened schedules. Workers’ compensation expense varies with both the frequency and severity of workplace injury claims reported during a quarter and the estimated future costs of such claims. Positive or adverse loss development of prior period claims during a subsequent quarter may also contribute to the volatility in the Company’s estimated workers’ compensation expense.

Liquidity and Capital Resources

The Company’s cash balance of $37.2 million, which includes cash, cash equivalents, and restricted cash, decreased $45.4 million for the six months ended June 30, 2025, compared to a decrease of $4.8 million for the comparable period of 2024. The decrease in cash at June 30, 2025 as compared to December 31, 2024 was primarily due to the factors discussed below.

Net cash used in operating activities for the six months ended June 30, 2025 amounted to $48.6 million, compared to cash used of $42.4 million for the comparable period of 2024. For the six months ended June 30, 2025, net cash used in operating activities was primarily due to decreased premium payable of $41.2 million, increased trade accounts receivable of $29.6 million, decreased workers’ compensation claims liabilities of $14.4 million, decreased payroll taxes payable of $8.7 million, and increased prepaid expenses of $7.1 million, partially offset by increased accrued payroll and related benefits of $24.2 million, net income of $17.4 million, and share-based compensation of $4.9 million.

Net cash provided by investing activities for the six months ended June 30, 2025 totaled $26.1 million, compared to cash provided of $57.0 million for the comparable period of 2024. For the six months ended June 30, 2025, net cash provided by investing activities consisted of proceeds from sales and maturities of investments and restricted investments of $77.8 million, partially offset by purchases of investments and restricted investments of $42.8 million and purchases of property, equipment and software of $8.9 million.

Net cash used in financing activities for the six months ended June 30, 2025 was $22.9 million, compared to cash used of $19.5 million for the comparable period of 2024. For the six months ended June 30, 2025, net cash used in financing activities primarily consisted of repurchases of common stock of $17.3 million and dividend payments of $4.1 million.

The Company is required to maintain minimum collateral levels for certain policies issued under the insured program, which is held in a trust account (the “trust account”). The balance in the trust account was $153.9 million and $197.1 million at June 30, 2025 and December 31, 2024, respectively. The trust account balance is included as a component of the current and long-term restricted cash and investments in the Company’s condensed consolidated balance sheets.

See “Note 4 – Revolving Credit Facility and Long-Term Debt” to the condensed consolidated financial statements included in Item 1 of Part I of this report for additional information regarding the Company’s credit agreement with Wells Fargo Bank, N.A.

Forward-Looking Information

Statements in this report include forward-looking statements which are not historical in nature and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, discussion of economic conditions in our market areas, especially in California, and their effect on revenue levels; the competitiveness of our service offerings; the availability of certain fully insured medical and other health and welfare benefits to qualifying worksite employees; our ability to attract and retain clients and to achieve revenue growth; the effect of changes in our mix of services on gross margin; labor market conditions; the adequacy of our workers' compensation reserves; the effect of changes in estimates of our future claims liabilities on our workers' compensation reserves, including the effect of changes in our reserving practices and claims management process on our actuarial estimates; expected levels of required surety deposits and letters of credit; the outcome of audits; the effect of our formation and operation of two wholly owned licensed insurance subsidiaries; the risks of operation and cost of our insured program; the financial viability of our excess insurance carriers; the effectiveness of our management information systems; our relationship with our primary bank lender and the availability of financing and working capital to meet our funding requirements; litigation costs; the effect of changes in the interest rate environment on the value of our investment securities; the adequacy of our allowance for expected credit losses; and the potential for and effect of acquisitions.

All our forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors with respect to the Company include: our ability to retain current clients and attract new clients; difficulties associated with integrating clients into our operations; economic trends in our service areas and the potential effects of changing governmental policies, including those related to immigration and tariffs; natural disasters; the potential for material deviations from expected future workers' compensation claims experience; changes in the workers' compensation regulatory environment in our primary markets; PEO client benefit costs, particularly with regard to health insurance benefits; security breaches or failures in the Company's information technology systems; collectability of accounts receivable; changes in executive management; changes in effective payroll tax rates and federal and state income tax rates; the carrying values of deferred income tax assets and goodwill (which may be affected by our future operating results); the effects of inflation on our operating expenses and those of our clients; the impact of and potential changes to the Patient Protection and Affordable Care Act, escalating medical costs, and other health care legislative initiatives on our business; the effect of changing interest rates and conditions in the global capital markets on our investment portfolio; and the availability of capital, borrowing capacity on our revolving credit facility, or letters of credit necessary to meet state-mandated surety deposit requirements for maintaining our status as a qualified self-insured employer for workers' compensation coverage or our insured program. Additional risk factors affecting our business are discussed in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on February 28, 2025. We disclaim any obligation to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s exposure to market risk for changes in interest rates primarily relates to its investment portfolio and outstanding borrowings on its line of credit. The Company's investments and restricted investments, which are classified as available-for-sale, consist primarily of fixed-rate debt securities, the fair value of which fluctuates with prevailing interest rates. Our cash equivalents consist primarily of money market funds, which are not meaningfully impacted by interest rate risk. We attempt to limit our investment portfolio's exposure to market risk through low investment turnover and diversification. Based on the Company’s overall interest exposure at June 30, 2025, a 50 basis point increase in market interest rates would have a $3.8 million downward effect on the fair value of the Company’s investment portfolio. Outstanding borrowings on the Company's line of credit bear interest at a variable market rate, which makes the cost of borrowing on the line of credit susceptible to changing interest rates. At June 30, 2025, the Company had no outstanding borrowings on its line of credit.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting (“ICFR”) as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our ICFR is a process designed by, or under the supervision of, our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our condensed consolidated financial statements for external purposes in accordance with GAAP.

We maintain “disclosure controls and procedures” that are designed with the objective of providing reasonable assurance that information required to be disclosed in the reports we file or submit 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 SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their evaluation, the Company’s CEO and CFO have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of June 30, 2025.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems’ objectives are being met. Further, the design of any control systems must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

Refer to “Note 6 - Litigation,” to the condensed consolidated financial statements included in Part I, Item 1 of this report for information regarding legal proceedings in which we are involved.

Item 1A. Risk Factors

Other than the information below, there have been no material changes in the risk factors that were included in our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on February 28, 2025.

Failure to interpret and comply with applicable federal and state payroll tax and unemployment tax laws could materially adversely affect our business, reputation, results of operations and financial condition.

As the administrative employer in our co-employer relationships with our clients, we are subject to a complex and evolving set of federal, state and local payroll tax laws and regulations, including requirements related to withholding, reporting and remitting payroll taxes on behalf of our clients. Compliance with these laws requires significant resources, and failure to comply with payroll tax laws in any jurisdiction in which we operate could subject us to financial penalties, interest charges and other liabilities. Additionally, our clients may be eligible for various legislative and regulatory programs, including those established under the CARES Act and the American Rescue Plan Act, such as the Employee Retention Tax Credit (“ERC”), which use payroll tax credits or deferrals as the mechanism to provide benefits to small businesses and employees. When clients and former clients wish to utilize ERCs and other similar programs, the associated tax forms must be filed through the PEO, and we have made such filings for many of our current and former clients claiming ERCs. These filings are currently under exam by the IRS to assess the eligibility of the ERCs claimed by our PEO clients. Determining eligibility for ERCs and other programs is complex and is based on company-specific data that PEOs do not possess for their clients. Notwithstanding, the IRS has taken positions that certain third-party payors, including PEOs, as well as their clients, are responsible for repaying rejected tax credit claims under the ERC program. While we disagree with the IRS’s position and our clients are contractually and statutorily responsible for repaying any rejected tax credits, this does not guarantee recovery, and any failure to recover rejected tax credits from our clients where the IRS attempts to hold BBSI liable could have a material adverse effect on our business, reputation, results of operations, and financial condition.

Changes in U.S. and foreign trade policies, including tariffs, related retaliatory measures, and other trade restrictions, could adversely affect our clients and our business.

Recent developments in U.S. and foreign trade policies—including the imposition or escalation of tariffs, retaliatory measures by trading partners, and other trade restrictions such as export bans or suspensions of critical raw materials—may materially impact our clients and in turn our business, particularly for those clients that rely on global supply chains. The U.S. executive branch has imposed and threatened tariffs to address trade imbalances, promote domestic manufacturing, and respond to national security concerns. In response, countries such as China have implemented or threatened retaliatory actions, including higher tariffs on U.S. goods and restrictions on the export of strategic resources such as rare earth elements and key industrial inputs.

These measures can significantly raise the cost of raw materials, components, and finished goods, placing considerable financial pressure on our clients in certain industries that rely on imports, such as construction, manufacturing and logistics. To mitigate these impacts, clients may reduce payroll, delay hiring, or implement workforce reductions—all of which could lead to decreased demand for our services, adversely affecting our revenue. In addition, increased costs and supply chain disruptions resulting from these trade policies may strain our clients’ operations, which could result in client business slowdowns or closures, further affecting our ability to attract and retain clients. Clients affected by such trade restrictions may also experience liquidity constraints or broader financial difficulties, which could impair their ability to pay for our services. These factors could have a material adverse effect on our results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes information related to stock repurchases during the quarter ended June 30, 2025.

Month	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan [1]	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plan (in thousands) [1]
Apr 1 - Apr 30, 2025	70,200	$ 39.21	70,200	$ 17,996
May 1 - May 31, 2025	40,200	$ 41.65	40,200	$ 16,322
Jun 1 - Jun 30, 2025	86,800	$ 41.70	86,800	$ 12,703
Total	197,200		197,200	

[1] On July 31, 2023, the Board of Directors authorized the repurchase of up to $75.0 million of the Company's common stock over a two-year period beginning July 31, 2023. As of June 30, 2025, the Company had repurchased 1,919,334 shares at an aggregate purchase price of $62.3 million under the repurchase program. On August 4, 2025, the Board of Directors authorized the repurchase of up to $100.0 million of the Company's common stock over a two-year period beginning August 4, 2025. The new repurchase program replaces the program approved in July 2023.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32*	Certification pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, has been formatted in Inline XBRL.

*Furnished, not filed.

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.

BARRETT BUSINESS SERVICES, INC.
Registrant

Date: August 6, 2025

By: /s/ Anthony J. Harris
Anthony J. Harris
Executive Vice President and Chief Financial Officer and Treasurer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gary E. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly 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: August 6, 2025

/s/ Gary E. Kramer
Gary E. Kramer
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Anthony J. Harris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Barrett Business Services, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly 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: August 6, 2025

/s/ Anthony J. Harris
Anthony J. Harris
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Barrett Business Services, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. § 1350, that:

(1) 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 results of operations of the Company.

/s/ Gary E. Kramer	/s/ Anthony J. Harris
Gary E. Kramer	Anthony J. Harris
Chief Executive Officer	Chief Financial Officer
August 6, 2025	August 6, 2025

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