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, 2026

☐ **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 **(State or other jurisdiction of Incorporation or organization)**	**52-0812977** **(IRS Employer Identification No.)**
8100 NE Parkway Drive **Vancouver, Washington** **(Address of principal executive offices)**	**98662** **(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 22, 2026, 24,235,180 shares of the registrant's common stock ($0.01 par value) were outstanding.

BARRETT BUSINESS SERVICES, INC.
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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, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,037	$ 95,033
Investments	40,852	62,154
Trade accounts receivable, net	301,492	248,626
Income taxes receivable	—	2,965
Prepaid expenses and other	24,583	18,652
Restricted cash and investments	72,353	97,210
Total current assets	466,317	524,640
Property, equipment and software, net	74,031	67,230
Operating lease right-of-use assets	23,236	23,218
Restricted cash and investments	91,616	106,216
Goodwill	47,820	47,820
Other assets	8,256	9,869
Deferred income taxes	—	74
Total assets	$ 711,276	$ 779,067
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,003	$ 7,433
Accrued payroll and related benefits	272,487	237,783
Payroll taxes payable	48,462	62,463
Income taxes payable	10,565	—
Current operating lease liabilities	7,238	6,969
Current premium payable	22,327	38,992
Other accrued liabilities	9,436	19,357
Workers' compensation claims liabilities	30,367	32,875
Total current liabilities	407,885	405,872
Long-term workers' compensation claims liabilities	67,539	75,709
Deferred income taxes	115	—
Long-term premium payable	—	26,025
Long-term operating lease liabilities	17,259	17,484
Customer deposits and other long-term liabilities	14,698	12,977
Total liabilities	507,496	538,067
Commitments and contingencies (Notes 4 and 6)		
Stockholders' equity:		
Common stock, $.01 par value; 82,000 shares authorized, 24,073 and 25,179 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	241	252
Additional paid-in capital	48,267	46,121
Accumulated other comprehensive loss	(11,832)	(11,487)
Retained earnings	167,104	206,114
Total stockholders' equity	203,780	241,000
Total liabilities and stockholders' equity	$ 711,276	$ 779,067

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,	
	2026	2025	2026	2025
Revenues:				
Professional employer services	$ 304,969	$ 290,170	$ 597,966	$ 565,096
Staffing services	14,299	17,487	28,307	35,127
Total revenues	319,268	307,657	626,273	600,223
Cost of revenues:				
Direct payroll costs	10,634	13,165	21,116	26,471
Payroll taxes	158,165	155,026	332,261	324,416
Benefit costs	28,918	18,251	56,366	35,867
Workers' compensation	56,697	47,956	108,491	97,586
Total cost of revenues	254,414	234,398	518,234	484,340
Gross margin	64,854	73,259	108,039	115,883
Selling, general and administrative expenses	47,194	48,188	94,674	93,026
Depreciation and amortization	2,257	2,038	4,430	3,996
Income from operations	15,403	23,033	8,935	18,861
Other income (expense):				
Investment income, net	1,910	2,300	3,932	4,920
Interest expense	(42)	(44)	(84)	(88)
Other, net	52	41	102	99
Other income, net	1,920	2,297	3,950	4,931
Income before income taxes	17,323	25,330	12,885	23,792
Provision for income taxes	4,453	6,876	14,818	6,359
Net income (loss)	$ 12,870	$ 18,454	$ (1,933)	$ 17,433
Basic income (loss) per common share	$ 0.53	$ 0.72	$ (0.08)	$ 0.68
Weighted average number of basic common shares outstanding	24,348	25,592	24,689	25,700
Diluted income (loss) per common share	$ 0.52	$ 0.70	$ (0.08)	$ 0.66
Weighted average number of diluted common shares outstanding	24,708	26,215	24,689	26,309

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

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

	Three Months Ended June 30,	
	2026	2025
Net income	$ 12,870	$ 18,454
Unrealized gains on investments, net of tax of $200 and $727 in 2026 and 2025, respectively	43	1,872
Comprehensive income	$ 12,913	$ 20,326

	Six Months Ended June 30,	
	2026	2025
Net (loss) income	$ (1,933)	$ 17,433
Unrealized (losses) gains on investments, net of tax of $190 and $1,893 in 2026 and 2025, respectively	(345)	4,980
Comprehensive (loss) income	$ (2,278)	$ 22,413

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, 2026
(Unaudited)
(In Thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance, December 31, 2025	25,179	$ 252	$ 46,121	$ (11,487)	$ 206,114	$ 241,000
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	119	1	560	—	—	561
Common stock repurchased on vesting of restricted stock units and performance awards	(41)	—	(1,277)	—	—	(1,277)
Share-based compensation expense	—	—	2,837	—	—	2,837
Company repurchases of common stock	(701)	(7)	(1,339)	—	(18,939)	(20,285)
Cash dividends on common stock ($0.08 per share)	—	—	—	—	(1,979)	(1,979)
Unrealized loss on investments, net of tax	—	—	—	(388)	—	(388)
Net loss	—	—	—	—	(14,803)	(14,803)
Balance, March 31, 2026	24,556	$ 246	$ 46,902	$ (11,875)	$ 170,393	$ 205,666
Common stock issued on exercise of options, purchase of ESPP shares and vesting of restricted stock units and performance awards	6	—	—	—	—	—
Common stock repurchased on vesting of restricted stock units and performance awards	(2)	—	(67)	—	—	(67)
Share-based compensation expense	—	—	2,408	—	—	2,408
Company repurchases of common stock	(487)	(5)	(976)	—	(14,218)	(15,199)
Cash dividends on common stock ($0.08 per share)	—	—	—	—	(1,941)	(1,941)
Unrealized gain on investments, net of tax	—	—	—	43	—	43
Net income	—	—	—	—	12,870	12,870
Balance, June 30, 2026	24,073	$ 241	$ 48,267	$ (11,832)	$ 167,104	$ 203,780

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 Cash Flows
(Unaudited)
(In Thousands)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net (loss) income	$ (1,933)	$ 17,433
Reconciliations of net (loss) income to net cash used in operating activities:		
Depreciation and amortization	4,430	3,996
Non-cash operating lease expense	3,562	3,304
Net investment amortization (accretion) and losses (gains) recognized	546	137
Losses recognized on disposal of property	—	16
Deferred income taxes	(1)	22
Share-based compensation	5,245	4,923
Changes in certain operating assets and liabilities:		
Trade accounts receivable	(52,866)	(29,642)
Income taxes	13,530	2,986
Prepaid expenses and other	(5,931)	(7,071)
Accounts payable	(430)	(1,854)
Accrued payroll and related benefits	34,619	24,232
Payroll taxes payable	(14,001)	(8,659)
Other accrued liabilities	(9,513)	370
Premium payable	(42,690)	(41,169)
Workers' compensation claims liabilities	(9,059)	(14,449)
Operating lease liabilities	(3,536)	(3,254)
Other assets and liabilities, net	74	74
Net cash used in operating activities	(77,954)	(48,605)
Cash flows from investing activities:		
Purchase of property, equipment and software	(11,231)	(8,926)
Purchase of investments	—	(7,669)
Proceeds from sales and maturities of investments	21,189	13,139
Purchase of restricted investments	(1,949)	(35,126)
Proceeds from sales and maturities of restricted investments	14,651	64,699
Net cash provided by investing activities	22,660	26,117
Cash flows from financing activities:		
Proceeds from credit-line borrowings	—	4,508
Payments on credit-line borrowings	—	(4,508)
Repurchases of common stock	(35,484)	(17,290)
Common stock repurchased on vesting of restricted stock units and performance awards	(1,344)	(2,342)
Dividends paid	(3,920)	(4,107)
Proceeds from exercise of stock options and purchase of ESPP shares	561	816
Net cash used in financing activities	(40,187)	(22,923)
Net decrease in cash, cash equivalents and restricted cash	(95,481)	(45,411)
Cash, cash equivalents and restricted cash, beginning of period	126,334	82,588
Cash, cash equivalents and restricted cash, end of period	$ 30,853	$ 37,177

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 2025 Annual Report on Form 10-K at pages 35 - 64. The results of operations for an interim period are not necessarily indicative of the results of operations for a full year.

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 (loss), 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 typically invoiced weekly based on agreed rates per employee and actual hours worked, generally 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 and wages, client-provided 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, third-party broker commissions, risk manager payroll, claims administration fees, legal fees, medical cost containment ("MCC") expense, state administrative agency fees, 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 as summarized in the table below for the three and six months ended June 30, 2026 and 2025 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest income	$ 1,981	$ 2,505	$ 3,889	$ 4,902

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 following table summarizes the Company's trade accounts receivable, net at June 30, 2026 and December 31, 2025 ($ in thousands):

	June 30, 2026	December 31, 2025
Unbilled trade accounts receivable	$ 291,333	$ 241,471
Billed trade accounts receivable	10,509	7,505
Allowance for expected credit losses	(350)	(350)
Trade accounts receivable, net	$ 301,492	$ 248,626

Allowance for expected credit losses

The Company had an allowance for expected credit losses of $0.4 million at each of June 30, 2026 and December 31, 2025. 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 costs

For all claims incurred under the Company's self-insured workers' compensation programs, we record an estimate for the total amount of workers' compensation costs, which represents the amount necessary to pay claims and related expenses associated with workplace injuries that have occurred under the self-insured program.

In addition to our self-insured program, the Company provides workers' compensation coverage through a fully insured arrangement. The Company's fully insured policies allow for return premiums if claims develop favorably, ranging from $20.0 million to $32.0 million depending on the policy period. For the policy period beginning July 1, 2021, 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. Our estimate of the losses associated with workers' compensation claims directly impacts our estimate of the return premiums we may realize or the additional premiums that we may incur.

When a claim involving a probable loss is reported, our independent third-party administrator for workers' compensation claims ("TPA") establishes a case reserve for the estimated amount of ultimate loss. The estimate reflects a judgment based on established case reserving practices and the experience and knowledge of the TPA regarding the nature and expected amount of the claim, as well as the estimated expenses of settling the claim, including legal and other fees and expenses of claims administration. The adequacy of such case reserves depends in part on the professional judgment of the TPA to evaluate the economic consequences of each claim properly and comprehensively.

Our estimate of ultimate losses includes an additional component for potential future increases in the cost to finally resolve open injury claims and claims incurred in prior periods but not reported (together, "IBNR") based on actuarial estimates provided by the Company's independent actuary. IBNR does not apply to a specific claim but rather applies to the entire population of claims arising from a specific time period. IBNR primarily covers costs relating to:

- Future claim payments in excess of case reserves on recorded open claims;
- Additional claim payments on closed claims; and
- Claims that have occurred but have not yet been reported to us.

The process of estimating 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, modifications in reserve estimation procedures, changes in individuals involved in the reserve estimation process, inflation, trends in the litigation and settlement of pending claims, and legislative changes.

Our estimates are based on actuarial analyses 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 estimates, the ultimate expense incurred will likely vary from the related loss estimate 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 estimates.

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 estimation process. To the extent a material change affecting the ultimate claim amount 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. 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 and staffing 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 transactions with the Company's stockholders.

Other comprehensive income (loss) comprises unrealized holding gains and losses on our available-for-sale investments, net of tax.

Statements of cash flows

Interest paid during the six months ended June 30, 2026 and 2025 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, 2026 totaled $1.2 million. Income taxes paid net of income tax refunds received by the Company during the six months ended June 30, 2025 totaled $3.3 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, 2026	December 31, 2025	June 30, 2025	December 31, 2024
Cash and cash equivalents	$ 27,037	$ 95,033	$ 26,348	$ 55,367
Restricted cash included in restricted cash and investments	3,816	31,301	10,829	27,221
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 30,853	$ 126,334	$ 37,177	$ 82,588

Basic and diluted earnings per share

Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential effects of the issuance of shares calculated using the treasury stock method, 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 are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Weighted average number of basic shares outstanding	24,348	25,592	24,689	25,700
Effect of dilutive securities	360	623	—	609
Weighted average number of diluted shares outstanding	24,708	26,215	24,689	26,309
Potentially dilutive securities not included in weighted average share calculation due to anti-dilutive effect	257	35	974	35

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, prior period payroll taxes and benefits on the consolidated statements of operations was disaggregated into payroll taxes and benefits costs. For the three months ended June 30, 2025, payroll taxes and benefits of $173.3 million was disaggregated into payroll taxes of $155.0 million and benefit costs of $18.3 million and for the six months ended June 30, 2025, payroll taxes and benefits of $360.3 million was disaggregated into payroll taxes of $324.4 million and benefit costs of $35.9 million.

Recent accounting pronouncements

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

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 on the Company's consolidated financial statements and related disclosures. We do not expect that the adoption of this ASU will have a material effect on the Company’s financial condition, results of operations, or cash flows.

ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*

In September 2025, the FASB issued ASU 2025-06, which amends the capitalization criteria of software development costs. The ASU eliminates the prior project-stage model and implements a probable-to-complete recognition threshold. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2027 and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The amendments in this ASU should be applied using either a prospective transition approach, modified transition approach, or retrospective transition approach. We are evaluating the impact of this new accounting standard on the Company's consolidated financial statements and related disclosures. We do not expect that the adoption of this ASU will have a material effect 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, 2026 and December 31, 2025 measured at fair value on a recurring basis (in thousands):

	June 30, 2026				December 31, 2025			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Recorded Basis
Current:								
Cash equivalents:								
Money market funds	$ 781	$ —	$ —	$ 781	$ 44,394	$ —	$ —	$ 44,394
Total cash equivalents	781	—	—	781	44,394	—	—	44,394
Investments:								
Corporate bonds	19,308	3	(1,107)	18,204	27,827	5	(1,238)	26,594
U.S. treasuries	14,261	—	(631)	13,630	14,261	—	(634)	13,627
Mortgage-backed securities	10,786	—	(2,102)	8,684	11,174	—	(2,026)	9,148
Asset-backed securities	380	—	(46)	334	7,564	17	(63)	7,518
U.S. government agency securities	—	—	—	—	5,309	—	(42)	5,267
Total current investments	44,735	3	(3,886)	40,852	66,135	22	(4,003)	62,154
Restricted cash and investments [(1)]:								
Corporate bonds	70,899	1	(3,734)	67,166	79,178	8	(3,876)	75,310
U.S. treasuries	51,762	—	(4,001)	47,761	51,809	—	(3,767)	48,042
Mortgage-backed securities	30,109	3	(4,139)	25,973	32,560	10	(4,000)	28,570
Mutual funds	14,819	—	—	14,819	13,602	—	—	13,602
U.S. government agency securities	4,105	—	(335)	3,770	5,947	—	(336)	5,611
Money market funds	2,443	—	—	2,443	486	—	—	486
Asset-backed securities	662	2	—	664	980	11	—	991
Total restricted cash and investments	174,799	6	(12,209)	162,596	184,562	29	(11,979)	172,612
Total investments	$ 220,315	$ 9	$ (16,095)	$ 204,229	$ 295,091	$ 51	$ (15,982)	$ 279,160

[(1)] Included in restricted cash and investments within the condensed consolidated balance sheets as of June 30, 2026 and December 31, 2025 is restricted cash of $1.4 million and $30.8 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, 2026 and December 31, 2025 measured at fair value on a recurring basis by fair value hierarchy level (in thousands):

	June 30, 2026				December 31, 2025			
	Total Recorded Basis	Level 1	Level 2	Other [(1)]	Total Recorded Basis	Level 1	Level 2	Other [(1)]
Cash equivalents:								
Money market funds	$ 781	$ —	$ —	$ 781	$ 44,394	$ —	$ —	$ 44,394
Investments:								
Corporate bonds	18,204	—	18,204	—	26,594	—	26,594	—
U.S. treasuries	13,630	—	13,630	—	13,627	—	13,627	—
Mortgage-backed securities	8,684	—	8,684	—	9,148	—	9,148	—
Asset-backed securities	334	—	334	—	7,518	—	7,518	—
U.S. government agency securities	—	—	—	—	5,267	—	5,267	—
Restricted cash and investments:								
Corporate bonds	67,166	—	67,166	—	75,310	—	75,310	—
U.S. treasuries	47,761	—	47,761	—	48,042	—	48,042	—
Mortgage-backed securities	25,973	—	25,973	—	28,570	—	28,570	—
Mutual funds	14,819	14,819	—	—	13,602	13,602	—	—
U.S. government agency securities	3,770	—	3,770	—	5,611	—	5,611	—
Money market funds	2,443	—	—	2,443	486	—	—	486
Asset-backed securities	664	—	664	—	991	—	991	—
Total investments	$ 204,229	$ 14,819	$ 186,186	$ 3,224	$ 279,160	$ 13,602	$ 220,678	$ 44,880

(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, 2026 and December 31, 2025. 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, 2026				
(In thousands)	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	Total
Corporate bonds	$ 12,723	$ 70,253	$ 2,394	$ —	$ 85,370
U.S. treasuries	3,264	58,127	—	—	61,391
Money market funds	3,224	—	—	—	3,224
U.S. government agency securities	—	3,770	—	—	3,770
Asset-backed securities	—	262	149	587	998
Total	$ 19,211	$ 132,412	$ 2,543	$ 587	$ 154,753

	December 31, 2025				
(In thousands)	Less than 1 Year	Between 1 to 5 Years	Between 5 to 10 Years	After 10 Years	Total
Corporate bonds	$ 11,486	$ 85,088	$ 5,330	$ —	$ 101,904
U.S. treasuries	3,237	49,405	9,027	—	61,669
Money market funds	44,880	—	—	—	44,880
U.S. government agency securities	2,096	8,782	—	—	10,878
Asset-backed securities	—	578	151	7,780	8,509
Total	$ 61,699	$ 143,853	$ 14,508	$ 7,780	$ 227,840

The average contractual maturity of mortgage-backed securities, which are excluded from the table above, was 20 years as of each of June 30, 2026 and December 31, 2025.

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, 2026 and December 31, 2025, 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, 2026					
	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	$ 906	$ (104)	$ 17,099	$ (1,003)	$ 18,005	$ (1,107)
U.S. treasuries	—	—	13,630	(631)	13,630	(631)
Mortgage-backed securities	—	—	8,683	(2,102)	8,683	(2,102)
Asset-backed securities	—	—	334	(46)	334	(46)
Total investments	906	(104)	39,746	(3,782)	40,652	(3,886)
Restricted investments:						
Corporate bonds	373	—	66,608	(3,734)	66,981	(3,734)
U.S. treasuries	721	(12)	47,040	(3,989)	47,761	(4,001)
Mortgage-backed securities	915	(8)	24,431	(4,131)	25,346	(4,139)
U.S. government agency securities	—	—	3,770	(335)	3,770	(335)
Asset-backed securities	149	—	—	—	149	—
Total restricted investments	2,158	(20)	141,849	(12,189)	144,007	(12,209)
Total investments and restricted investments	$ 3,064	$ (124)	$ 181,595	$ (15,971)	$ 184,659	$ (16,095)

	December 31, 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	$ —	$ —	$ 26,394	$ (1,238)	$ 26,394	$ (1,238)
U.S. treasuries	—	—	13,627	(634)	13,627	(634)
Mortgage-backed securities	—	—	9,148	(2,026)	9,148	(2,026)
U.S. government agency securities	—	—	5,267	(42)	5,267	(42)
Asset-backed securities	—	—	1,302	(63)	1,302	(63)
Total investments	—	—	55,738	(4,003)	55,738	(4,003)
Restricted investments:						
Corporate bonds	100	—	73,745	(3,876)	73,845	(3,876)
U.S. treasuries	729	(1)	47,313	(3,766)	48,042	(3,767)
Mortgage-backed securities	—	—	26,916	(4,000)	26,916	(4,000)
U.S. government agency securities	—	—	5,611	(336)	5,611	(336)
Total restricted investments	829	(1)	153,585	(11,978)	154,414	(11,979)
Total investments and restricted investments	$ 829	$ (1)	$ 209,323	$ (15,981)	$ 210,152	$ (15,982)

We have determined that the gross unrealized losses on our investments as of each of June 30, 2026 and December 31, 2025 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 Costs

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,	
	2026	2025	2026	2025
Beginning balance				
Workers' compensation claims liabilities	$ 101,810	$ 121,228	$ 108,584	$ 128,446
Add: claims expense incurred				
Current period	3,116	2,697	6,816	6,025
Prior periods	20	(3,222)	(1,044)	(7,004)
Total claims expense incurred	3,136	(525)	5,772	(979)
Less: claim payments related to				
Current period	2,794	1,179	4,856	2,357
Prior periods	4,133	5,593	9,975	11,113
Total claim payments	6,927	6,772	14,831	13,470
Change in claims incurred in excess of retention limits	(113)	(29)	(1,619)	(95)
Ending balance				
Workers' compensation claims liabilities	$ 97,906	$ 113,902	$ 97,906	$ 113,902

The Company provided a total of $97.9 million and $108.6 million at June 30, 2026 and December 31, 2025, respectively, as the estimated future liability for unsettled workers' compensation claims liabilities. Of this amount, $8.1 million and $9.7 million at June 30, 2026 and December 31, 2025, 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 $8.1 million and $9.7 million at June 30, 2026 and December 31, 2025, respectively, which is included in other assets in the condensed consolidated balance sheets.

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.

The Company maintains 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 covers claims incurred between July 1, 2021 and June 30, 2027.

The Company's fully insured policies allow for return premiums if claims develop favorably, ranging from $20.0 million to $32.0 million, depending on the policy period. For the policy period beginning July 1, 2021, 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
2017	No
2018	No
2019	Yes
2020	Yes
2021 - Through June 30	Yes
2021 - July 1 and after	No
2022	No
2023	No
2024	No
2025	No
2026	No

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 $135.0 million and $175.3 million at June 30, 2026 and December 31, 2025, 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 $47.3 million and $52.1 million at June 30, 2026 and December 31, 2025, 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, 2026, the Company provided surety bonds totaling $47.3 million.

Note 4 - Revolving Credit Facility

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 0.30% 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 each of June 30, 2026 and December 31, 2025. The credit facility is collateralized by the Company’s accounts receivable and other rights to receive payment. The revolving credit facility will mature on August 1, 2028, 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, 2026, the Company was in compliance with all covenants.

Note 5 – Income Taxes

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, 2026. At each of June 30, 2026 and December 31, 2025, the Company had not recorded a valuation allowance against its deferred tax assets.

The Company is subject to income taxes in U.S. federal and multiple state and local tax jurisdictions. The Internal Revenue Service (the "IRS") examined the Company's federal tax returns for the years ended December 31, 2017 through 2021 and issued notices of disallowance for certain wage-based tax credits claimed by the Company. The Company filed petitions in the United States Tax Court (the "Tax Court") challenging the IRS's determinations.

On March 30, 2026, the Tax Court issued a decision granting the IRS's motion for partial summary judgment and denying the Company's motion for partial summary judgment with respect to the Company's claims for wage-based tax credits for tax years 2017 through 2020.

As a result of the Tax Court's decision, the Company recorded charges of $8.6 million of additional income tax expense and $4.1 million of related interest during the first quarter of 2026. The net impact of these charges, after considering the associated tax benefit on interest, resulted in an $11.6 million increase in net loss. These charges were recorded within provision for income taxes on the Company's consolidated statements of operations and relate to the tax years addressed by the Tax Court's decision, as well as tax years 2021 and 2022, which represent the remaining periods of the Company's potential exposure related to wage-based tax credits. The Company did not record penalties related to these matters, which are approximately $1.8 million for the tax years covered by the Tax Court's decision, as the Company believes that the position involves novel legal issues for which penalties should not apply.

The Company disagrees with the Tax Court's decision and is continuing to evaluate the available legal options, including any rights to appeal. The Company does not expect the decision to have an effect on its current business operations or services provided to clients.

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, 2026 and December 31, 2025, total gross unrecognized tax benefits, excluding interest and penalties, of $1.0 million and $0.8 million, respectively, would affect the Company's effective tax rate if recognized in future periods.

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, 2026, the Company had no operating loss carryforwards or tax credit carryforwards.

Note 6 – Litigation and Other Contingencies

The Company has made payroll tax filings on behalf of numerous current and former clients claiming Employee Retention Tax Credits ("ERCs"). These filings are currently under examination by the IRS to assess the eligibility of the credits claimed. During the second quarter of 2026, the Company received a notice of proposed adjustment from the IRS that may result in the disallowance of up to approximately $63.0 million of ERCs that had previously been paid to clients. The examination is ongoing and the amount ultimately determined to be disallowed, if any, may differ from the proposed adjustment.

Determining eligibility for ERCs is complex and is based on company-specific information, which we and other third-party payors do not independently have. While our clients are contractually and statutorily responsible for the accuracy of such claims and for any resulting liabilities, the IRS has taken the general position that certain third-party payors, including professional employer organizations such as BBSI, also bear responsibility for the repayment of disallowed credits, notwithstanding that such payors do not determine eligibility for the credits and do not receive the economic benefit of the credits. We disagree with the IRS's position and intend to vigorously contest it.

If the IRS were to seek recovery from the Company for disallowed credits and the Company were unable to recover such amounts from its clients or cause the clients to repay them, the Company nevertheless could be required to remit such amounts to the IRS. At this time, the Company is unable to make a reasonable estimate of the possible loss or range of loss, if any, associated with these matters, and accordingly, no liability has been recorded.

In addition to the matter above, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Management evaluates such matters in accordance with applicable accounting guidance and records a liability when a loss is considered probable and reasonably estimable. Based on currently available information, the Company has recorded estimated liabilities totaling $0.3 million and $0.5 million as of June 30, 2026 and December 31, 2025, respectively, within other accrued liabilities in the condensed consolidated balance sheets.

Note 7 – Subsequent Events

We have evaluated events and transactions occurring after the balance sheet date through our filing date and noted no 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 sector. 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 8,200 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.

BBSI also offers employee benefit programs to our clients. The benefit programs available to our 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 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, 2026 and 2025 ($ in thousands):

	Percentage of Total Net Revenues							
	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
Revenues:								
Professional employer services	$ 304,969	95.5 %	$ 290,170	94.3 %	$ 597,966	95.5 %	$ 565,096	94.1 %
Staffing services	14,299	4.5	17,487	5.7	28,307	4.5	35,127	5.9
Total revenues	319,268	100.0	307,657	100.0	626,273	100.0	600,223	100.0
Cost of revenues:								
Direct payroll costs	10,634	3.3	13,165	4.3	21,116	3.4	26,471	4.4
Payroll taxes	158,165	49.5	155,026	50.4	332,261	53.1	324,416	54.0
Benefit costs	28,918	9.1	18,251	5.9	56,366	9.0	35,867	6.0
Workers' compensation	56,697	17.8	47,956	15.6	108,491	17.3	97,586	16.3
Total cost of revenues	254,414	79.7	234,398	76.2	518,234	82.8	484,340	80.7
Gross margin	64,854	20.3	73,259	23.8	108,039	17.2	115,883	19.3
Selling, general and administrative expenses	47,194	14.8	48,188	15.7	94,674	15.1	93,026	15.5
Depreciation and amortization	2,257	0.7	2,038	0.7	4,430	0.7	3,996	0.7
Income from operations	15,403	4.8	23,033	7.5	8,935	1.4	18,861	3.1
Other income, net	1,920	0.6	2,297	0.7	3,950	0.6	4,931	0.8
Income before income taxes	17,323	5.4	25,330	8.2	12,885	2.0	23,792	3.9
Provision for income taxes	4,453	1.4	6,876	2.2	14,818	2.4	6,359	1.1
Net income (loss)	$ 12,870	4.0 %	$ 18,454	6.0 %	$ (1,933)	(0.4) %	$ 17,433	2.8 %

During the first quarter of 2026, the Company recorded tax-effected charges of $11.6 million related to the disallowance of certain wage-based tax credits claimed in prior years. This charge was recorded within provision for income taxes on our condensed consolidated statements of operations. We have excluded this charge from our non-GAAP measures as it relates to prior periods and is not indicative of our current or future operational performance. See “Note 5 – Income Taxes” to the condensed consolidated financial statements included in Item 1 of Part I of this report for additional information.

The reconciliation of net loss and diluted loss per share to non-GAAP net income and non-GAAP diluted income per share for the six months ended June 30, 2026 is shown in the table below (in thousands, except per share amounts):

	(Unaudited) Six Months Ended June 30, 2026	
	Net (Loss) Income	Diluted (Loss) Income Per Share
GAAP net loss	$ (1,933)	$ (0.08)
Non-recurring tax adjustment	11,565	0.47
Non-GAAP net income	$ 9,632	$ 0.39
Weighted average number of diluted common shares outstanding		24,689

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, 2026 and 2025.

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Gross billings	$ 2,292,861	$ 2,234,472	$ 4,454,132	$ 4,323,141
PEO and staffing wages	$ 1,984,228	$ 1,939,966	$ 3,848,893	$ 3,749,434

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,	
	2026	2025	2026	2025
PEO and staffing wages	86.5%	86.8%	86.4%	86.7%
Payroll taxes	6.9%	7.0%	7.5%	7.5%
Benefit costs	1.3%	0.8%	1.3%	0.8%
Workers' compensation	2.5%	2.1%	2.4%	2.3%
Gross margin	2.8%	3.3%	2.4%	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,			
	2026	Year-over-year % Growth	2025	Year-over-year % Growth
Average WSEs	139,712	0.5%	138,969	8.0%
Ending WSEs	141,561	0.6%	140,671	8.2%

	(Unaudited) Six Months Ended June 30,			
	2026	Year-over-year % Growth	2025	Year-over-year % Growth
Average WSEs	137,353	1.2%	135,714	7.8%
Ending WSEs	141,561	0.6%	140,671	8.2%

Three Months Ended June 30, 2026 and 2025

Net income for the second quarter of 2026 amounted to $12.9 million compared to net income of $18.5 million for the second quarter of 2025. Diluted net income per share for the second quarter of 2026 was $0.52 compared to diluted net income per share of $0.70 for the second quarter of 2025.

Revenue for the second quarter of 2026 totaled $319.3 million, an increase of $11.6 million or 3.8% over the second quarter of 2025, which reflects an increase in the Company's PEO services revenue of $14.8 million or 5.1% and a decrease in staffing services revenue of $3.2 million or 18.2%.

The increase in PEO services revenue was primarily attributable to a 0.5% increase in the average number of WSEs as well as a 2.2% increase in average billing per WSE per day.

Gross margin for the second quarter of 2026 totaled $64.9 million or 20.3% of revenue compared to $73.3 million or 23.8% of revenue for the second quarter of 2025. 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 2026 totaled $10.6 million or 3.3% of revenue compared to $13.2 million or 4.3% of revenue for the second quarter of 2025. 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 2025.

Payroll taxes for the second quarter of 2026 totaled $158.2 million or 49.5% of revenue compared to $155.0 million or 50.4% of revenue for the second quarter of 2025. The decrease in payroll taxes as a percentage of revenues in the second quarter of 2026 was primarily due to a higher mix of revenue attributable to PEO client benefits coverage, which is not subject to payroll taxes.

Benefit costs for the second quarter of 2026 totaled $28.9 million or 9.1% of revenue compared to $18.3 million or 5.9% of revenue for the second quarter of 2025. The increase in benefit costs as a percentage of revenues was primarily due to expanded adoption of our PEO client benefit programs, as well as an increase in health insurance premium rates.

Workers' compensation expense for the second quarter of 2026 totaled $56.7 million or 17.8% of revenue compared to $48.0 million or 15.6% of revenue for the second quarter of 2025. The increase in workers' compensation expense as a percentage of revenues was primarily attributable to higher workers' compensation costs in the second quarter of 2026, which included favorable prior year liability and premium adjustments of $2.0 million, compared to favorable prior year liability and premium adjustments of $8.8 million in the second quarter of 2025.

Selling, general and administrative (“SG&A”) expenses for the second quarter of 2026 totaled $47.2 million or 14.8% of revenue compared to $48.2 million or 15.7% of revenue for the second quarter of 2025. The decrease of $1.0 million in SG&A expense was primarily attributable to decreased employee-related costs compared to the second quarter of 2025.

Other income, net for the second quarter of 2026 totaled $1.9 million compared to other income, net of $2.3 million for the second quarter of 2025. The decrease was primarily attributable to a decrease in investment income in the second quarter of 2026.

Our effective income tax rate for the second quarter of 2026 was 25.7% compared to 27.1% for the second quarter of 2025. 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, 2026 and 2025

Net loss for the first six months of 2026 amounted to $1.9 million compared to net income of $17.4 million for the first six months of 2025. Diluted net loss per share for the first six months of 2026 was $0.08 compared to diluted net income per share of $0.66 for the first six months of 2025.

Revenue for the first six months of 2026 totaled $626.3 million, an increase of $26.1 million or 4.3% over the first six months of 2025, which reflects an increase in the Company's PEO services revenue of $32.9 million or 5.8% and a decrease in staffing services revenue of $6.8 million or 19.4%.

The increase in PEO services revenue was primarily attributable to a 1.2% increase in the average number of WSEs as well as a 2.0% increase in average billing per WSE per day.

Gross margin for the first six months of 2026 totaled $108.0 million or 17.2% of revenue compared to $115.9 million or 19.3% of revenue for the first six months of 2025. 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 2026 totaled $21.1 million or 3.4% of revenue compared to $26.5 million or 4.4% of revenue for the first six months of 2025. 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 2025.

Payroll taxes for the first six months of 2026 totaled $332.3 million or 53.1% of revenue compared to $324.4 million or 54.0% of revenue for the first six months of 2025. The decrease in payroll taxes as a percentage of revenues for the first six months of 2026 was primarily due to a higher mix of revenue attributable to PEO client benefits coverage, which is not subject to payroll taxes.

Benefit costs for the first six months of 2026 totaled $56.4 million or 9.0% of revenue compared to $35.9 million or 6.0% of revenue for the second quarter of 2025. The increase in benefit costs as a percentage of revenues was primarily due to expanded adoption of our PEO client benefit programs, as well as an increase in health insurance premium rates.

Workers' compensation expense for the first six months of 2026 totaled $108.5 million or 17.3% of revenue compared to $97.6 million or 16.3% of revenue for the first six months of 2025. The increase in workers' compensation expense as a percentage of revenues was primarily due to higher workers' compensation costs in the first six months of 2026, which included favorable prior year liability and premium adjustments of $3.1 million in the first six months of 2026 compared to favorable prior year liability and premium adjustments of $12.6 million in the first six months of 2025.

SG&A expense for the first six months of 2026 totaled $94.7 million or 15.1% of revenue compared to $93.0 million or 15.5% of revenue for the first six months of 2025. The increase of $1.7 million in SG&A expense was primarily attributable to increased employee-related benefit and information technology costs compared to the first six months of 2025.

Other income, net for the first six months of 2026 totaled $4.0 million compared to other income, net of $4.9 million for the first six months of 2025. The decrease was primarily attributable to a decrease in investment income in the first six months of 2026.

Provision for income taxes for the first six months of 2026 was $14.8 million compared to provision for income taxes of $6.4 million for the first six months of 2025. The increase was primarily due to additional tax expense and interest recorded during the first quarter of 2026 related to the disallowance of certain wage-based tax credits claimed in prior years. See “Note 5 – Income Taxes” to the condensed consolidated financial statements included in Item 1 of Part I of this report for additional information.

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 $30.9 million, which includes cash, cash equivalents, and restricted cash, decreased $95.5 million for the six months ended June 30, 2026, compared to a decrease of $45.4 million for the comparable period of 2025. The decrease in cash at June 30, 2026 as compared to December 31, 2025 was primarily due to the factors discussed below.

Net cash used in operating activities for the six months ended June 30, 2026 amounted to $78.0 million, compared to cash used of $48.6 million for the comparable period of 2025. For the six months ended June 30, 2026, net cash used in operating activities was primarily due to increased trade accounts receivable of $52.9 million, decreased premium payable of $42.7 million, decreased payroll taxes payable of $14.0 million, decreased other accrued liabilities of $9.5 million and decreased workers’ compensation claims liabilities of $9.1 million, partially offset by increased accrued payroll and related benefits of $34.6 million and increased income taxes payable of $13.5 million.

Net cash provided by investing activities for the six months ended June 30, 2026 totaled $22.7 million, compared to cash provided of $26.1 million for the comparable period of 2025. For the six months ended June 30, 2026, net cash provided by investing activities consisted of proceeds from sales and maturities of investments and restricted investments of $35.8 million, partially offset by purchases of property, equipment and software of $11.2 million.

Net cash used in financing activities for the six months ended June 30, 2026 was $40.2 million, compared to cash used of $22.9 million for the comparable period of 2025. For the six months ended June 30, 2026, net cash used in financing activities primarily consisted of repurchases of common stock of $35.5 million and dividend payments of $3.9 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 $135.0 million and $175.3 million at June 30, 2026 and December 31, 2025, 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” 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, including the impact of AI and automation on workplace displacement; 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 and other determinations by the IRS; 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 inflationary pressures or 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; technology disruption, including the displacement of employees through the adoption of AI and automation by our 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, tariffs, other trade policies, or climate regulation; risks to our business and the business of our clients arising from current or future tariffs or other trade restrictions, supply chain issues, changes in labor force, or geopolitical instability, including the wars in Ukraine and Iran, other conflicts in the Middle East, and the potential for future conflicts or disruptions in other parts of the world; 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 impact of the One Big Beautiful Bill Act and other recently enacted legislation on our business; the effect of changing monetary policy, 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, 2025, which was filed with the SEC on February 26, 2026 and in Item 1A of Part II in this report. 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, 2026, a 50 basis point increase in market interest rates would have a $2.7 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, 2026, 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, 2026.

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, 2026 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

The following risk factor presents a material update and addition to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025, which was filed with the SEC on February 26, 2026. The risks and uncertainties described in the 2025 Annual Report on Form 10-K continue to be present and should be carefully reviewed. Additional risks and uncertainties that we currently believe are immaterial or of which we are currently unaware may also adversely affect our business operations, financial condition, or operating results.

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. As new tax laws and regulations are adopted— including recently enacted legislation such as the One Big Beautiful Bill Act —we must update and modify our systems and processes to address these changes. These updates require substantial time, investment, and operational resources, and expose us to an increased risk of errors or noncompliance during implementation.

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 current and former clients utilize ERCs and other similar programs, the IRS has required the associated tax forms to be filed through the PEO. We have made such filings for many of our current and former clients claiming ERCs. These filings are currently under examination by the IRS to assess the eligibility of the ERCs claimed by our PEO clients. During the second quarter of 2026, the Company received a notice of proposed adjustment from the IRS that may result in the disallowance of up to approximately $63.0 million of credits previously paid to client companies. 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 that PEOs do not determine eligibility for such credits and do not receive the economic benefit of such credits, the IRS has taken the general position that certain third-party payors, including PEOs, as well as their clients, are responsible for repaying disallowed 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 disallowed tax credits previously paid by the IRS, recovery from our clients cannot be assured. Failure to recover a significant amount of disallowed tax credits from our clients where the IRS seeks to hold BBSI liable likely would have a material adverse effect on our business, reputation, 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, 2026.

Month	Total Number of Shares Repurchased		Average Price Paid Per Share [(1)]	Total Number of Shares Repurchased as Part of Publicly Announced Plan [(2)]		Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plan (in thousands) [(2)]
Apr 1 - Apr 30, 2026	—	$	—	—	$	55,325
May 1 - May 31, 2026	395,487	$	30.46	395,487	$	43,279
Jun 1 - Jun 30, 2026	91,324	$	32.89	91,324	$	40,275
Total	486,811			486,811		

(1) Average price paid per share includes commissions paid to our broker and excludes excise taxes incurred on share repurchases.

(2) 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. As of June 30, 2026, the Company had repurchased 1,797,799 shares at an aggregate purchase price of $59.7 million.

Item 5. Other Information

Trading Plans

During the quarter ended June 30, 2026, none of our directors or executive officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

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, 2026, 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 5, 2026

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 5, 2026

/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 5, 2026

/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, 2026 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 5, 2026	August 5, 2026

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.