REFINITIV

DELTA REPORT

10-Q

MHH - MASTECH DIGITAL, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1013
CHANGES	201
DELETIONS	444
ADDITIONS	368

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

FORM10-Q

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 2024

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

Commission File Number001-34099

MASTECH DIGITAL, INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**26-2753540**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1305 Cherrington Parkway, Building 210, Suite 400 Moon Township, Pennsylvania	**15108**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code:(412) 787-2100

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 $.01 per share	**MHH**	**NYSE American**

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 RegulationS-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, anon-acceleratedfiler, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” inRule 12b-2of 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 inRule 12b-2of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of October 31, 2023 April 30, 2024 was 11,599,138. 11,634,303.

MASTECH DIGITAL, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MASTECH DIGITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	$ 47,779	$ 63,150	$ 155,046	$ 185,022
Cost of revenues	35,213	46,863	115,354	136,057
Gross profit	12,566	16,287	39,692	48,965
Selling, general and administrative expenses:				

Operating expenses	12,615	12,930	38,937	38,753
Employment-related claim, net of recoveries	—	—	3,100	—
Total selling, general and administrative expenses	12,615	12,930	42,037	38,753
Income (loss) from operations	(49)	3,357	(2,345)	10,212
Interest income (expense), net	148	(85)	232	(326)
Other income (expense), net	55	85	(32)	334
Income (loss) before income taxes	154	3,357	(2,145)	10,220
Income tax expense (benefit)	29	951	(358)	3,046
Net income (loss)	$ 125	$ 2,406	$ (1,787)	$ 7,174
Earnings (loss) per share:				
Basic	$ .01	$ .21	$ (.15)	$ .62
Diluted	$ .01	$ .20	$ (.15)	$ .59
Weighted average common shares outstanding:				
Basic	11,597	11,616	11,618	11,578
Diluted	11,968	12,084	11,618	12,082

	Three Months Ended March 31,	
	2024	2023
Revenues	$ 46,823	$ 55,063
Cost of revenues	34,692	41,581
Gross profit	12,131	13,482
Selling, general and administrative expenses	12,537	12,950
Income (loss) from operations	(406)	532
Interest income (expense), net	154	4
Other income (expense), net	(30)	(57)
Income (loss) before income taxes	(282)	479
Income tax expense (benefit)	(121)	218
Net income (loss)	$ (161)	$ 261
Earnings (loss) per share:		
Basic	$ (.01)	$ .02
Diluted	$ (.01)	$ .02
Weighted average common shares outstanding:		
Basic	11,615	11,638
Diluted	11,615	12,054

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MASTECH DIGITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ 125	$ 2,406	$ (1,787)	$ 7,174
Other comprehensive income (loss):				
Foreign currency translation adjustments	(88)	(235)	(95)	(701)
Total other comprehensive gain (loss), net of taxes	(88)	(235)	(95)	(701)
Total comprehensive income (loss)	$ 37	$ 2,171	$ (1,882)	$ 6,473

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	$ (161)	$ 261
Other comprehensive income (loss):		
Foreign currency translation adjustments	(28)	5

Total other comprehensive gain (loss), net of taxes	(28)	5
Total comprehensive income (loss)	$ (189)	$ 266

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MASTECH DIGITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,881	$ 7,057
Accounts receivable, net of allowance for uncollectible accounts of $515 in 2023 and $444 in 2022	24,841	33,603
Unbilled receivables	7,437	8,719
Insurance recovery	2,200	—
Prepaid and other current assets	5,859	3,795
Total current assets	56,218	53,174
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	2,896	2,790
Enterprise software	4,185	4,185
Leasehold improvements	752	732
	7,833	7,707
Less – accumulated depreciation and amortization	(5,824)	(5,042)
Net equipment, enterprise software, and leasehold improvements	2,009	2,665
Operating leaseright-of-useassets, net	4,418	3,886
Deferred financing costs, net	238	293
Non-currentdeposits	456	578
Goodwill, net of impairment	32,510	32,510
Intangible assets, net of amortization	13,694	15,773
Total assets	$ 109,543	$ 108,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ 1,100
Accounts payable	4,842	4,475
Accrued payroll and related costs	12,270	11,085
Current portion of operating lease liability	1,318	1,504
Other accrued liabilities	864	1,186
Deferred revenue	410	207
Total current liabilities	19,704	19,557
Long-term liabilities:		
Long-term operating lease liability, less current portion	3,054	2,294
Long-term accrued income taxes	69	105
Deferred income taxes	516	920
Total liabilities	23,343	22,876
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding	—	—
Common Stock, par value $.01; 100,000,000 shares authorized and 13,307,919 shares issued as of September 30, 2023 and 13,269,118 shares issued as of December 31, 2022	133	133
Additionalpaid-in-capital	34,710	32,059
Retained earnings	57,766	59,553
Accumulated other comprehensive income (loss)	(1,650)	(1,555)
Treasury stock, at cost; 1,708,781 shares as of September 30, 2023 and 1,646,420 shares as of December 31, 2022	(4,759)	(4,187)
Total shareholders' equity	86,200	86,003

Total liabilities and shareholders' equity	$ 109,543	$ 108,879

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,424	$ 21,147
Accounts receivable, net of allowance for credit losses of $436 in 2024 and $528 in 2023	24,400	22,556
Unbilled receivables	7,615	7,259
Prepaid and other current assets	6,887	5,501
Total current assets	58,326	56,463
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	3,223	3,012
Enterprise software	4,185	4,185
Leasehold improvements	751	753
	8,159	7,950
Less – accumulated depreciation and amortization	(6,176)	(6,037)
Net equipment, enterprise software, and leasehold improvements	1,983	1,913
Operating leaseright-of-useassets, net	4,790	5,106
Deferred income taxes	738	793
Deferred financing costs, net	260	284
Non-currentdeposits	455	457
Goodwill, net of impairment	27,210	27,210
Intangible assets, net of amortization	12,308	13,001
Total assets	$ 106,070	$ 105,227
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	5,473	4,659
Accrued payroll and related costs	11,978	12,354
Current portion of operating lease liability	1,242	1,236
Other accrued liabilities	1,344	938
Deferred revenue	722	684
Total current liabilities	20,759	19,871
Long-term liabilities:		
Long-term operating lease liability, less current portion	3,517	3,843
Long-term accrued income taxes	69	69
Total liabilities	24,345	23,783
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding	—	—
Common Stock, par value $.01; 100,000,000 shares authorized and 13,345,012 shares issued as of March 31, 2024 and 13,312,568 shares issued as of December 31, 2023	133	133
Additionalpaid-in-capital	35,895	35,345
Retained earnings	52,254	52,415
Accumulated other comprehensive income (loss)	(1,672)	(1,644)
Treasury stock, at cost; 1,723,341 shares as of March 31, 2024 and 1,714,119 shares as of December 31, 2023	(4,885)	(4,805)
Total shareholders' equity	81,725	81,444
Total liabilities and shareholders' equity	$ 106,070	$ 105,227

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MASTECH DIGITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2022	$ 133	$ 32,059	$ 59,553	$ (4,187)	$ (1,555)	$ 86,003
Net income	—	—	261	—	—	261
Other comprehensive gain, net of taxes	—	—	—	—	5	5
Stock-based compensation expense	—	835	—	—	—	835
Balances, March 31, 2023	$ 133	$ 32,894	$ 59,814	$ (4,187)	$ (1,550)	$ 87,104
Net (loss)	—	—	(2,173)	—	—	(2,173)
Employee common stock purchases	—	150	—	—	—	150
Other comprehensive (loss), net of taxes	—	—	—	—	(12)	(12)
Stock-based compensation expense	—	842	—	—	—	842
Shares repurchased	—	—	—	(572)	—	(572)
Balances, June 30, 2023	$ 133	$ 33,886	$ 57,641	$ (4,759)	$ (1,562)	$ 85,339
Net income	—	—	125	—	—	125
Other comprehensive (loss), net of taxes	—	—	—	—	(88)	(88)
Stock-based compensation expense	—	824	—	—	—	824
Balances, September 30, 2023	$ 133	$ 34,710	$ 57,766	$ (4,759)	$ (1,650)	$ 86,200

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2023	$ 133	$ 35,345	$ 52,415	$ (4,805)	$ (1,644)	$ 81,444
Net (loss)	—	—	(161)	—	—	(161)
Other comprehensive (loss), net of taxes	—	—	—	—	(28)	(28)
Stock-based compensation expense	—	550	—	—	—	550
Shares repurchased	—	—	—	(80)	—	(80)
Balances, March 31, 2024	$ 133	$ 35,895	$ 52,254	$ (4,885)	$ (1,672)	$ 81,725

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2021	$ 131	$ 28,250	$ 50,841	$ (4,187)	$ (607)	$ 74,428
Net income	—	—	2,332	—	—	2,332
Other comprehensive (loss), net of taxes	—	—	—	—	(147)	(147)
Stock-based compensation expense	—	526	—	—	—	526
Stock options exercised	2	891	—	—	—	893
Balances, March 31, 2022	$ 133	$ 29,667	$ 53,173	$ (4,187)	$ (754)	$ 78,032
Net income	—	—	2,436	—	—	2,436
Employee common stock purchases	—	199	—	—	—	199
Other comprehensive (loss), net of taxes	—	—	—	—	(319)	(319)
Stock-based compensation expense	—	752	—	—	—	752
Stock options exercised	—	430	—	—	—	430
Balances, June 30, 2022	$ 133	$ 31,048	$ 55,609	$ (4,187)	$ (1,073)	$ 81,530
Net income	—	—	2,406	—	—	2,406
Employee common stock purchases	—	(10)	—	—	—	(10)
Other comprehensive (loss), net of taxes	—	—	—	—	(235)	(235)
Stock-based compensation expense	—	776	—	—	—	776
Balances, September 30, 2022	$ 133	$ 31,814	$ 58,015	$ (4,187)	$ (1,308)	$ 84,467

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2022	$ 133	$ 32,059	$ 59,553	$ (4,187)	$ (1,555)	$ 86,003
Net income	—	—	261	—	—	261
Other comprehensive gain, net of taxes	—	—	—	—	5	5
Stock-based compensation expense	—	835	—	—	—	835
Balances, March 31, 2023	$ 133	$ 32,894	$ 59,814	$ (4,187)	$ (1,550)	$ 87,104

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MASTECH DIGITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
OPERATING ACTIVITIES:		
Net income (loss)	$ (1,787)	$ 7,174
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	2,943	3,251
Bad debt expense	—	50
Interest amortization of deferred financing costs	55	55
Stock-based compensation expense	2,501	2,054
Deferred income taxes, net	(405)	496
Operating lease assets and liabilities, net	68	(355)
Loss on disposition of fixed assets	1	—
Long term accrued income taxes	(36)	(20)
Working capital items:		
Accounts receivable and unbilled receivables	10,044	(7,097)
Insurance recovery	(2,200)	—
Prepaid and other current assets	(2,081)	57
Accounts payable	370	877
Accrued payroll and related costs	1,192	1,388
Other accrued liabilities	(323)	(192)
Deferred revenue	203	6
Net cash flows provided by (used in) operating activities	10,545	7,744
INVESTING ACTIVITIES:		
Recovery of (payment for)non-currentdeposits	119	24
Capital expenditures	(213)	(819)
Net cash flows provided by (used in) investing activities	(94)	(795)
FINANCING ACTIVITIES:		
(Repayments) on term loan facility	(1,100)	(10,900)
Proceeds from the issuance of common shares	150	189
Purchase of treasury stock	(572)	—
Proceeds from the exercise of stock options	—	1,323
Net cash flows provided by (used in) financing activities	(1,522)	(9,388)
Effect of exchange rate changes on cash and cash equivalents	(105)	(701)
Net change in cash and cash equivalents	8,824	(3,140)
Cash and cash equivalents, beginning of period	7,057	6,622
Cash and cash equivalents, end of period	$ 15,881	$ 3,482

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
OPERATING ACTIVITIES:		
Net income (loss)	$ (161)	$ 261
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	898	1,014
Bad debt expense	(92)	—
Interest amortization of deferred financing costs	24	18
Stock-based compensation expense	550	835
Deferred income taxes, net	55	(245)
Operating lease assets and liabilities, net	14	12
Loss on disposition of fixed assets	—	1
Working capital items:		

Accounts receivable and unbilled receivables	(2,108)	245
Prepaid and other current assets	(1,396)	452
Accounts payable	816	210
Accrued payroll and related costs	(371)	385
Other accrued liabilities	407	(262)
Deferred revenue	38	205
Net cash flows provided by (used in) operating activities	(1,326)	3,131
INVESTING ACTIVITIES:		
Recovery of (payment for)non-currentdeposits	—	90
Capital expenditures	(278)	(97)
Net cash flows (used in) investing activities	(278)	(7)
FINANCING ACTIVITIES:		
(Repayments) on term loan facility	—	(1,100)
Purchase of treasury stock	(80)	—
Net cash flows (used in) financing activities	(80)	(1,100)
Effect of exchange rate changes on cash and cash equivalents	(39)	16
Net change in cash and cash equivalents	(1,723)	2,040
Cash and cash equivalents, beginning of period	21,147	7,057
Cash and cash equivalents, end of period	$ 19,424	$ 9,097

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MASTECH DIGITAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022
(Unaudited)

1. Description of Business and Basis of Presentation:

Basis of Presentation

References in this Quarterly Report on Form10-Qto “we”, “our”, “Mastech Digital”, “Mastech” or “the Company” refer collectively to Mastech Digital, Inc. and its wholly owned operating subsidiaries, which are included in these Condensed Consolidated Financial Statements (the “Financial Statements”).

Description of Business

We are a provider of Digital Transformation IT Services to mostly large andmedium-sizedorganizations.

Our portfolio of offerings includes data management and analytics services, digital learning services and IT staffing services.

With our 2017 acquisition of the services division of Canada-based InfoTrellis, Inc. (“InfoTrellis”), we added specialized capabilities in delivering data and analytics services to our customers, which became our Data and Analytics Services segment. This segment offers project-based consulting services in the areas of data management, data engineering and data science, with such services delivered usingon-siteand offshore resources. In October 2020, we acquired AmberLeaf Partners, Inc. (“AmberLeaf”), a Chicago-based customer experience consulting firm. This acquisition expanded our Data and Analytics Services segment’s capabilities in customer experience strategy and managed services offering for a variety of Cloud-based enterprise applications across sales, marketing and customer services organizations.

Our IT staffing services segment combines technical expertise with business process experience to deliver a broad range of staffing services in digital and mainstream technologies. Our digital technologies include data management, analytics, cloud, mobility, social and artificial intelligence. We work with businesses and institutions with significant IT spending and recurring staffing service needs. We also support smaller organizations with their “project focused” temporary IT staffing requirements.

TheCOVID-19pandemic had a material impact on activity levels in both of our business segments in 2020. This impact was reduced in 2021 because of the globalroll-outof vaccination programs and signs of improving economic conditions.COVID-19- COVIrelated D-19relatedconcerns were less impactful on our business in 2022. Still, the proliferation ofCOVID-19variants has caused some uncertainty and could continue to disrupt global markets in 2023 2024 and beyond.

Accounting Principles

The accompanying Financial Statements have been prepared by management in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and the accompanying notes. Actual results could differ from these estimates. These Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 December 31, 2023, included in our Annual Report on Form10-Kfiled with the SEC on March 27, 2023 March 15, 2024. Additionally, our operating results for the three and nine months ended September 30, 2023 March 31, 2024, are not necessarily indicative of the results that can be expected for the year ending December 31, 2023, December 31, 2024 or for any other period.

Principles of Consolidation

The Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Critical Accounting Policies

Please refer to Note 1 "Summary of Significant Accounting Policies" of the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates" in our Annual Report on Form10-Kfor the year ended December 31, 2022 December 31, 2023, for a more detailed discussion of our significant accounting policies and critical accounting estimates. There were no material changes to these critical accounting policies during the nine three months ended September 30, 2023 March 31, 2024.

Segment Reporting

The Company has two reportable segments, in accordance with Accounting Standards Committee ("ASC") Topic 280 "Disclosures About Segments of an Enterprise and Related Information": Data and Analytics Services and IT Staffing Services.

2. Revenue from Contracts with Customers

The Company recognizes revenue ontime-and-materialcontracts over time as services are performed and expenses are incurred.Time-and-materialcontracts typically bill at an agreed-upon hourly rate, and also require plusout-of-pocketexpense reimbursement.Out-of-pocketexpense reimbursement amounts vary by assignment, but on average represent less than 2% of the total contract revenues. Revenue is earned on a per transaction or labor hour basis, as that amount directly corresponds to the value of the Company's performance. Revenue recognition is negatively impacted by holidays and consultant vacation and sick days.

The Company recognizes revenue on fixed price contracts over time as services are rendered and uses a cost-based input method to measure progress. Determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. Under the cost-based input method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. The Company has determined that the cost-based input method provides a faithful depiction of the transfer of goods or services to the customer. Estimated losses are recognized immediately in the period in which current estimates indicate a loss. We record deferred revenues when cash payments are received or due in advance of our performance, including amounts which may be refundable.

The Company'stime-and-materialand fixed price revenue streams are recognized over time as the customer receives and consumes the benefits of the Company's performance as the work is performed.

In certain situations related to client direct hire assignments, where the Company's fee is contingent upon the hired resources continued employment with the client, revenue is not fully recognized until such employment conditions are satisfied.

We do not sell, lease or otherwise market computer software or hardware, and, essentially, 100% of our revenue is derived from the sale of data and analytics, IT staffing and digital transformation services. We expense sales commissions in the same period in which revenues are realized. These costs are recorded within sales, general and marketing administrative expenses.

Each contract the Company enters into is assessed to determine the promised services to be performed and includes identification of the performance obligations required by the contract. In substantially all of our contracts, we have identified a single performance obligation for each contract either because the promised services are distinct or the promised services are highly interrelated and interdependent and therefore represent a combined single performance obligation.

Our Data and Analytics Services segment provides specialized capabilities in delivering data management and analytics services to its customers. customers globally. This business offers project-based consulting services in the areas of Master Data Management, Enterprise Data Integration, Big Data, Engineering Analytics and Analytics, all of Digital Transformation, which can be delivered using onsite and offshore resources.

Our IT Staffing Services segment combines technical expertise with business process experience to deliver a broad range of services in digital and mainstream technologies. Our digital technology stack includes data management and analytics, cloud, mobility, social and automation. Our mainstream technologies include business intelligence / data warehousing, warehousing; web services, services; enterprise resource planning & customer resource management, management; ande-Businesssolutions. We work with businesses and institutions with significant IT spend and recurring staffing needs. We also support smaller organizations with their "project focused" temporary IT staffing requirements. In late 2023, we expanded our service offerings to include engineering staffing services. Substantially all of our revenue is recognized over time.

The following table depicts the disaggregation of our revenues by contract type and operating segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Amounts in thousands)		(Amounts in thousands)	

	Three Months Ended March 31,			
	2024	2023		
	(Amounts in thousands)			
Data and Analytics Services Segment				
Time-and-materialContracts	$ 5,888 6,111	$ 6,524 6,701		
Fixed-price Contracts	$ 19,027	$ 19,568		
Fixed-price Contracts	2,150 1,956	3,552 2,694		
Subtotal Data and Analytics Services	$ 8,038 8,067	$ 10,076	$ 26,206	$ 31,478 9,395

	Three Months Ended March 31,			
	2024	2023		
	(Amounts in thousands)			
IT Staffing Services Segment				
Time-and-materialContracts	$ 39,741 38,756	$ 53,074	$ 128,840	$ 153,544 45,668
Fixed-price Contracts	—	—	—	—
Subtotal IT Staffing Services	$ 39,741 38,756	$ 53,074 45,668		
Total Revenues	$ 46,823	$ 128,840	$ 153,544 55,063	
Total Revenues	$ 47,779	$ 63,150	$ 155,046	$ 185,022

For the three months ended September 30, 2023 March 31, 2024, the Company had one client (CGI =21.1%) that exceeded 10% of total revenues. For the nine months ended September 30, 2023, the Company had the same one client (CGI = 23.7% =17.4%) that exceeded 10% of total revenues. For the three months ended September 30, 2022 March 31, 2023, the Company had one client (CGI =23.7%) that exceeded 10% of total revenues. For the nine months ended September 30, 2022, the Company had the same one client (CGI = 21.3% =25.5%) that exceeded 10% of total revenues.

The Company's top ten clients represented approximately 52% 51% and 54% 56% of total revenues for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For the nine months ended September 30, 2023 and 2022, the Company's top ten clients represented approximately 54% and 53% of total revenues, respectively.

The following table presents our revenue from external customers disaggregated by geography, based on the work location of our customers:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Amounts in thousands)		(Amounts in thousands)	
United States	$ 46,778	$ 61,704	$ 151,798	$ 180,519
Canada	627	1,038	2,159	3,187
India and Other	374	408	1,089	1,316
Total revenues	$ 47,779	$ 63,150	$ 155,046	$ 185,022

	Three Months Ended March 31,	
	2024	2023
	(Amounts in thousands)	
United States	$ 46,116	$ 53,755
Canada	294	831
India and other	413	477
Total Revenues	$ 46,823	$ 55,063

3. Goodwill and Other Intangible Assets, netNet

Goodwill of $8.4 million related to our June 15, 2015, IT Staffing Services segment resulted from the 2015 acquisition of Hudson Global Resources Management's U.S. IT staffing business ("Hudson IT") totaled $8.4 million. business. Goodwill related to our July 13, 2017, Data and Analytics Services segment includes our 2017 acquisition of the services division of InfoTrellis, which totaled $27.4 million, and our 2020 acquisition of AmberLeaf, which totaled $6.4 million. During 2018, the The Company recorded a $5.3 million goodwill impairment of $9.7 million related to the InfoTrellis acquisition. Goodwill related to our October 1, 2020, acquisition of AmberLeaf totaled $6.4 million.

Declines in 2023 revenues in our Data and Analytics Services segment compared in 2023 and a $9.7 million goodwill impairment in 2018. The impairments were primarily attributable to expectations, was viewed as a triggering event for impairment testing in the third quarter of 2023. Accordingly, we performed an interim quantitative impairment test for our Data and Analytics Services segment. The interim impairment test did not result in an impairment during the third quarter, however, further declines in revenue could have a negative impact on the implied fair value of goodwill levels and may result in a goodwill impairment charge in a subsequent period. lower future revenue projections.

10

A reconciliation of the beginning and ending amounts of goodwill by operating segment for the periods ended March 31, 2024 and December 31, 2023 is as follows:

	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2023
	(in thousands)	
IT Staffing Services:		
Beginning balance	$ 8,427	$ 8,427
Goodwill recorded	—	—
Impairment	—	—
Ending Balance	$ 8,427	$ 8,427

	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2023
	(in thousands)	
Data and Analytics Services:		
Beginning balance	$ 18,783	$ 24,083
Goodwill recorded	—	—
Impairment	—	(5,300)
Ending Balance	$ 18,783	$ 18,783

The Company is amortizing the identifiable intangible assets on a straight-line basis over estimated average lives ranging from 3 to 12 years. Identifiable intangible assets were comprised of the following as of September 30, 2023, March 31, 2024 and December 31, 2022 December 31, 2023:

	As of March 31, 2024			
(Amounts in thousands)	Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	$ 7,999	$ 5,861	$ 2,138
Covenant-not-to-compete	5	319	319	—
Trade name	3	249	249	—
Data and Analytics Services:				
Client relationships	12	19,641	10,184	9,457
Covenant-not-to-compete	5	1,201	1,069	132
Trade name	5	1,711	1,564	147
Technology	7	1,979	1,545	434
Total Intangible Assets		$ 33,099	$ 20,791	$ 12,308

	As of December 31, 2023			
(Amounts in thousands)	Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	$ 7,999	$ 5,694	$ 2,305
Covenant-not-to-compete	5	319	319	—
Trade name	3	249	249	—
Data and Analytics Services:				
Client relationships	12	19,641	9,776	9,865
Covenant-not-to-compete	5	1,201	1,047	154
Trade name	5	1,711	1,539	172
Technology	7	1,979	1,474	505
Total Intangible Assets		$ 33,099	$ 20,098	$ 13,001

11

(Amounts in thousands)	As of September 30, 2023 Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	$ 7,999	$ 5,527	$ 2,472
Covenant-not-to-compete	5	319	319	—
Trade name	3	249	249	—
Data and Analytics Services:				
Client relationships	12	19,641	9,367	10,274
Covenant-not-to-compete	5	1,201	1,025	176
Trade name	5	1,711	1,515	196
Technology	7	1,979	1,403	576
Total Intangible Assets		**$ 33,099**	**$ 19,405**	**$ 13,694**

(Amounts in thousands)	As of December 31, 2022 Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	$ 7,999	$ 5,027	$ 2,972
Covenant-not-to-compete	5	319	319	—
Trade name	3	249	249	—
Data and Analytics Services:				
Client relationships	12	19,641	8,140	11,501
Covenant-not-to-compete	5	1,201	959	242
Trade name	5	1,711	1,441	270
Technology	7	1,979	1,191	788
Total Intangible Assets		**$ 33,099**	**$ 17,326**	**$ 15,773**

Amortization expense for the three months ended March 31, 2024 and nine-month periods ended September 30, 2023 2023 totaled $693,000 and $2.1 million, $693,000, respectively and is included in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations. For the three and nine-month periods ended September 30, 2022, amortization expense was $791,000 and $2.4 million, respectively.

The estimated aggregate amortization expense for intangible assets for the years ending December 31, 2023, December 31, 2024 through December 31, 2027, 2028 is as follows:

	Years Ended December 31, 2023	2024	2025	2026	2027
	(Amounts in thousands)				
Amortization expense	$ 2,772	$ 2,693	$ 2,553	$ 2,413	$ 2,025

	Years Ended December 31, 2024	2025	2026	2027	2028
	(Amounts in thousands)				
Amortization expense	$ 2,693	$ 2,553	$ 2,413	$ 2,025	$ 1,637

4. Leases

The Company rents certain office facilities and equipment under noncancelable operating leases. As of September 30, 2023 March 31, 2024, approximately 96,000 square feet of office space is utilized for our sales and recruiting offices, delivery centers, and corporate headquarters. All of our leases are classified as operating leases. The average initial lease term is 4.8 4.5 years. Several leases have an option to renew, at our sole discretion, for an additional term. Our present lease terms range from less than one year to 3.9 5.5 years with a weighted average of 3.5 3.8 years. Leases with an initial term of twelve months or less are not recorded on the balance sheet.

11

The following table summarizes the balance sheet classification of the lease assets and related lease liabilities:

	September 30, 2023	December 31, 2022
	(in thousands)	
Assets:		
Long-term operating leaseright-of-useassets	$ 4,418	$ 3,886
Liabilities:		
Short-term operating lease liability	$ 1,318	$ 1,504
Long-term operating lease liability	3,054	2,294
Total Liabilities	$ 4,372	$ 3,798

	March 31, 2024	December 31, 2023
	(in thousands)	
Assets:		
Long-term operating leaseright-of-useassets	$ 4,790	$ 5,106
Liabilities:		
Short-term operating lease liability	$ 1,242	$ 1,236
Long-term operating lease liability	3,517	3,843
Total Liabilities	$ 4,759	$ 5,079

Future minimum rental payments for office facilities and equipment under the Company's noncancelable operating leases are as follows:

	Amount as of September 30, 2023
	(in thousands)
2023 (for remainder of year)	$ 380
2024	1,408
2025	1,225
2026	1,220
2027	535
Thereafter	—
Total	$ 4,768
Less: Imputed interest	(396)
Present value of operating lease liabilities	$ 4,372

	Amount as of March 31, 2024
	(in thousands)
2024 (for remainder of year)	$ 1,111
2025	1,471
2026	1,470
2027	789
2028	259
Thereafter	196
Total	$ 5,296
Less: Imputed interest	(537)
Present value of operating lease liabilities	$ 4,759

The weighted average discount rate used to calculate the present value of future lease payments was 4.9% 5.4%.

We recognize rent expense for these leases on a straight-line basis over the lease term. Rental expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaled $0.4 million and $1.2 $0.4 million, respectively. Rental expense for the three and nine months ended September 30, 2022 totaled $0.4 million and $1.3 million, respectively.

Total cash paid for lease liabilities for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaled $0.4 million and $1.2 $0.4 million, respectively. Total cash paid for lease liabilities for the three and nine months ended September 30, 2022 totaled $0.4 million and $1.3 million, respectively.

There were New nonew leases entered into during the three and nine months ended September 30, 2023 totaled $1.7 million March 31, 2024 and $1.7 million, respectively. New leases entered into during the three and nine months ended September 30, 2022 totaled $0 and $0.5 million, respectively. 2023. New leases are considered non cash non-cashtransactions.

12

In August 2023, the Company renegotiated and extended an operating lease for 39,875 square feet of office space in Noida, India. Lease payments will approximate $1.9 million through the extension period which ends August 30, 2027.

In October 2023, the Company renegotiated and extended an operating lease for 11,495 square feet of office space in Moon Township, Pennsylvania. Lease payments will approximate $1.3 million through the extension period which ends September 29, 2029.

5. Commitments and Contingencies

In December 2022, the Company received a demand letter from the attorney of a former employee who resigned from his employment with the Company in November 2022. Among other allegations in the letter, this former employee has asserted various employment-related claims against the Company, including a claim of wrongful termination. The Company settled this claim in the third quarter of 2023 and paid a $3.1 million settlement, net of recoveries. There were no professional service fees related to this matter incurred in the three months ended March 31, 2024. For the three and nine months ended September 30, 2023 March 31, 2023, the Company incurred $225,000 and $1.2 $0.4 million respectively, of professional service fees related to this matter. Additionally, the Company recorded a $3.1 million loss reserve, net of recoveries in the second quarter of 2023, with respect to an estimated settlement. During the third quarter, we settled this claim and, under the terms of the settlement agreement with this former employee, we paid the settlement amount. The exact terms of the settlement agreement are to remain confidential; however, the settlement amount, net of expected recoveries, matter which was fully reserved in the second quarter of 2023 and is included in Selling, General and Administrative expenses in the Condensed Consolidated Statement of Operations included in this quarterly report on Form10-Q. Operations.

12

In the ordinary course of our business, the Company is involved in several lawsuits. a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, the Company's management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

6. Employee Benefit Plan

The Company provides an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of theInternalRevenue Code of 1986, as amended (the "Code"), that covers substantially all U.S. based salaried andW-2hourly employees. Employees may contribute a percentage of eligible compensation to the Retirement Plan, subject to certain limits under the Code. The Company did not provide for any matching contributions for the three and nine months ended September 30, 2023, March 31, 2024 and 2022. 2023.

7. Stock-Based Compensation

In 2008, the Company adopted a Stock Incentive Plan (as amended from time to time, the "Plan") which provided provides that up to 5,400,000 shares of the Company's common stock par value $0.01 per share ("Common Stock") should shall be allocated for issuance to directors, officers and key personnel. personnel, including certainnon-employeeconsultants. Grants under the Plan may be made in the form of stock options, stock appreciation rights, performance shares or stock awards.

During the three months ended September 30, 2023 March 31, 2024, the Company granted no shares 29,612 restricted share units and 385,000 stock options at a strike price of $8.34 under the Plan. During the three months ended September 30, 2022 March 31, 2023, the Company granted zero restricted share units of 19,924 and 250,000 stock options under the Plan.

During the nine months ended September 30, 2023, the Company granted 19,924 restricted share units and 125,000 stock options, with an average strike price of $11.24, under the Plan. During the nine months ended September 30, 2022, the Company granted 13,979 restricted share units and 650,000 100,000 stock options at a weighted average strike price of $17.00, under the Plan. $11.53. As of September 30, 2023, March 31, 2024 there were 505,000 468,000 shares of Common Stock available for grants under the Plan.

Stock-based compensation expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $824,000 $550,000 and $776,000, $835,000, respectively, and for the nine months ended September 30, 2023, and 2022 was $2.5 million and $2.1 million, respectively. Stock-based compensation expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company issued zero 19,924 and 17,804 shares, respectively, related to the grant of restricted share units and the exercise of stock options. During the three and nine months ended September 30, 2022, the Company issued zero and 133,932 shares, respectively, related to the grant of restricted share units and the exercise of stock options.

In October 2018, the Board of Directors of the Company approved the Mastech Digital, Inc. 2019 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). The Employee Stock Purchase Plan is intended to meet the requirements of Section 423 of the Code and was approved by the Company's shareholders on to be qualified. On May 15, 2019, to be so qualified. the Company's shareholders approved the Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, 600,000 shares of Common Stock (subject to adjustment upon certain changes in the Company's capitalization) are available for purchase by eligible employees who become participants in the Employee Stock Purchase Plan. The purchase price per share is 85% of the lesser of (i) the fair market value per share of Common Stock on the first day of the offering period, or (ii) the fair market value per share of Common Stock on the last day of the offering period.

The Company's eligible full-time employees are able to contribute up to 15% of their base compensation into the Employee Stock Purchase Plan, subject to an annual limit of $25,000. $25,000 per person. Employees are able to purchase shares of Company Common Stock at a 15% discount to the lower of the fair market value of the Company's Common Stock on the initial or final trading dates of eachsix-monthoffering period. Offering periods begin on January 1 and July 1 of each year. The Company uses the Black-Scholes option pricing model to determine the fair value of Employee Stock Purchase Plan share-based payments. The fair value of thesix-month"look-back" option in the Company's Employee Stock Purchase Plan is estimated by adding the fair value of 15% of one share of stock to 85% of the fair value of an option on one share of stock. The Company utilized U.S. Treasury yields as of the grant date for its risk-free interest rate assumption, matching the Treasury yield terms to thesix-monthoffering period. The Company utilized historical company data to develop its dividend yield and expected volatility assumptions.

13

During the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, there were no shares issued under the Employee Stock Purchase Plan. During the nine months ended September 30, 2023, and 2022, there were 17,890 shares and 15,765 shares issued under the Employee Stock Purchase Plan, at a share price of $8.40 and $12.63, respectively. Stock-based compensation expense related to the Stock Purchase Plan for the three months ended September 30, 2023, and 2022 totaled $10,000 and $11,000, respectively. Stock-based compensation expense related to the Stock Purchase Plan for the nine months ended September 30, 2023, and 2022 totaled $78,000 and $81,000, respectively, and is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2023, and 2022. As of September 30, 2023 March 31, 2024, there were 474,675 466,919 shares of Common Stock available for purchases under the Employee Stock Purchase Plan.

13

8. Credit Facility

On July 13, 2017, the Company entered into a Credit Agreement (the “Credit Agreement”) with PNC Bank, as administrative agent, swing loan lender and issuing lender, PNC Capital Markets LLC, as sole lead arranger and sole book-runner, and certain financial institution parties thereto as lenders (the “Lenders”). The Credit Agreement, as amended, provides for a total aggregate commitment of $53.1 million, consisting of (i) a revolving credit facility (the “Revolver”) in an aggregate principal amount not to exceed $40 million and (ii) a $13.1 million term loan facility (the “Term Loan), as more fully described in Exhibit 10.1 to the Company’s Form8-Ksfiled with the SEC on July 19, 2017, April 25, 2018 and , October 7, 2020, and Exhibit 10.2 to the Form8-K/Afiled with the SEC on January 4, 2022 and Exhibits 10.11 and 10.12 to the Company’s Form10-Kfiled with the SEC on March 15, 2024. Additionally, the facility includes an accordion feature for additional borrowing of up to $20 million upon satisfaction of certain conditions.

The Revolver expires in December 2026 and includes swing loan and letter of creditsub-limitsin the aggregate amount not to exceed $6.0 million for swing loans and $5.0 million for letters of credit. Borrowings under the Revolver may be denominated in U.S. dollars or Canadian dollars. The maximum borrowings in U.S. dollars may not exceed the sum of 85% of eligible U.S. accounts receivable and 60% of eligible U.S. unbilled receivables, less a reserve amount established by the administrative agent. The maximum borrowings in Canadian dollars may not exceed the lesser of (i) $10.0 million; and (ii) the sum of 85% of eligible Canadian receivables, plus 60% of eligible Canadian unbilled receivables, less a reserve amount established by the administrative agent.

Amounts borrowed under the Term Loan were required to be repaid in consecutive quarterly installments of $1.1 million through and including the maturity date of October 1, 2024. In August 2022, the Company prepaid $7.6 million of the outstanding term loan with excess cash balances. The final term loan payment of $1.1 million was made on January 3, 2023, taking the outstanding balance to zero.

Borrowings under the Revolver and the Term Loan, which may be made at the Company’s election, bear interest at either (a) the higher of PNC’s prime rate or the federal funds rate plus 0.50%, plus an applicable margin determined based upon the Company’s senior leverage ratio or (b) the Bloomberg Short-Term Bank Yield Index Secured Overnight Financing Rate (“BSBY” SOFR”), plus an applicable margin determined based upon the Company’s senior leverage ratio. The applicable margin on the base rate is between 0.50% and 1.25% on Revolver borrowings and between 1.75% and 2.50% on Term Loan borrowings. The applicable margin on the BSBY SOFR is between 1.50% and 2.25% on Revolver borrowings and between 2.75% and 3.50% on Term Loan borrowings. A 20 to30-basispoint per annum commitment fee on the unused portion of the Revolver is charged and due monthly in arrears. The applicable commitment fee is determined based upon the Company’s senior leverage ratio.

The Company pledged substantially all of its assets in support of the Credit Agreement. The Credit Agreement contains standard financial covenants, including, but not limited to, covenants related to the Company’s senior leverage ratio and fixed charge ratio (as defined under the Credit Agreement) and limitations on liens, indebtedness, guarantees, contingent liabilities, loans and investments, distributions, leases, asset sales, stock repurchases and mergers and acquisitions. As of September 30, 2023 March 31, 2024, the Company was in compliance with all applicable provisions of the Credit Agreement.

In connection with securing the commitments under the Credit Agreement and the November 2017, April 20, 2018, October 1, 2020, December 29, 2021 and December 29, 2021, December 29, 2023 amendments to the Credit Agreement, the Company paid a commitment fee and incurred deferred financing costs totaling $975,000, $1,039,000, which were capitalized and are being amortized as interest expense over the life of the Credit Agreement. Facility. Deferred financing costs of $238,000 $260,000 and $293,000 $284,000 (net of amortization) as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, are presented as long-term assets in the Company’s Consolidated Balance Sheets.

As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, the Company’s outstanding borrowings under the Revolver totaled zero dollars; and unused borrowing capacity available was approximately $24.8 $24.2 million and $31.8 $22.5 million, respectively. The Company’s There werenooutstanding borrowings under the Term Loan were zero dollars and $1.1 million at September 30, 2023 March 31, 2024, and December 31, 2022, respectively. December 31, 2023.

14

9. Income Taxes

The components of income (loss) before income taxes, as shown in the accompanying Financial Statements, consisted of the following for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended March 31,	
	2024	2023

	(Amounts in thousands)	
ncome (loss) before income taxes:		
Domestic	$ (316)	$ 2,080
Foreign	34	(1,601)
ncome (loss) before income taxes	$ (282)	$ 479

14

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Amounts in thousands)		(Amounts in thousands)	
Income (loss) before income taxes:				
Domestic	$ (211)	$ 3,950	$ (3,205)	$ 11,123
Foreign	365	(593)	1,060	(903)
Income (loss) before income taxes	$ 154	$ 3,357	$ (2,145)	$ 10,220

The Company has foreign subsidiaries which generate revenues fromnon-U.S.-basedclients. Additionally, these subsidiaries provide services to the Company's U.S. operations. Accordingly, the Company allocates a portion of its income (loss) to these subsidiaries based on a "transfer pricing" model and reports such income (loss) as foreign in the above table.

The provision (benefit) for income taxes, as shown in the accompanying Financial Statements, consisted of the following for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Amounts in thousands)		(Amounts in thousands)	
Current provision (benefit):				
Federal	$ (88)	$ 806	$ (271)	$ 1,836
State	(9)	187	25	446
Foreign	93	(55)	238	(4)
Total current provision (benefit)	$ (4)	$ 938	$ (8)	$ 2,278
Deferred provision (benefit):				
Federal	25	12	(377)	496
State	7	(7)	(91)	118
Foreign	4	(60)	64	(118)
Total deferred provision (benefit)	36	(55)	(404)	496
Change in valuation allowance	(3)	68	54	272
Total provision (benefit) for income taxes	$ 29	$ 951	$ (358)	$ 3,046

	Three Months Ended March 31,	
	2024	2023
	(Amounts in thousands)	
Current provision (benefit):		
Federal	$ (224)	$ 711
State	(39)	170
Foreign	104	(446)
Total current provision (benefit)	(159)	435
Deferred provision (benefit):		
Federal	23	(248)
State	5	(60)
Foreign	(83)	62
Total deferred provision (benefit)	(55)	(246)
Change in valuation allowance	93	29
Total provision (benefit) for income taxes	$ (121)	$ 218

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision (benefit) for income taxes for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows (amounts in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022

Income taxes computed at the federal statutory rate	$ 33	21.0 %	$ 705	21.0 %
State income taxes, net of federal tax benefit	(2)	(1.2)	168	5.0
Excess tax expense (benefit) from stock options/restricted shares	—	—	19	0.6
Difference in income tax rate on foreign earnings/other	1	0.9	(9)	(0.3)
Change in valuation allowance	(3)	(1.9)	68	2.0
	$ 29	18.8 %	$ 951	28.3 %

	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022		Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
Income taxes computed at the federal statutory rate	$ (450)	(21.0)%	$ 2,146	21.0 %	$ (59)	(21.0 %)	$ 100	21.0 %
State income taxes, net of federal tax benefit	(74)	(3.5)	554	5.4	(10)	(3.5)	110	23.0
Excess tax expense (benefit) from stock options/restricted shares	40	1.9	10	0.1				
Difference in income tax rate on foreign earnings/other	72	3.4	64	0.6				
Excess tax expense (benefits) from stock options/restricted shares					85	30.1	23	4.8
Worthless stock deduction					(248)	(87.9)	—	—
Difference in tax rate on foreign earnings/other					18	6.4	(44)	(9.2)
Change in valuation allowance	54	2.5	272	2.7	93	33.0	29	6.0
	$ (358)	(16.7)%	$ 3,046	29.8 %	$ (121)	(42.9 %)	$ 218	45.6 %

We evaluate deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. GAAP accounting guidance requires us to assess whether valuation allowances should be established against deferred tax assets based on all available evidence, both positive and negative using a “more likely than not” standard. Our assessment considers, among other things, the nature of cumulative losses, losses; forecast of future profitability, profitability; the duration of statutory carry-forward periods and tax planning alternatives. At September 30, 2023 March 31, 2024, our valuation allowance was comprised of balances within locations of Singapore, Canada, Ireland and the United Kingdom. The Kingdom and totaled $559,000. During the quarter ended March 31, 2024, we secured a worthless stock deduction for our discontinued Singapore entity, which allowed us to recognize a current tax deduction during the 2024 period and accordingly reverse $162,000 of our valuation allowance balances at these locations balance. As of December 31, 2023, our valuation allowance balance totaled $613,000 and $559,000 as of September 30, 2023, and December 31, 2022, respectively, and reflect net operating losses which may not be realizable in the future. In the third quarter of 2022, the Company decided to close the Singapore and Ireland operations. $628,000.

The Company’s Canadian subsidiary, is currently which was under audit by Revenue Canada for the years 2018 and 2019. 2019 was completed in first quarter of 2024 withnoadjustments to these tax filings.

10. Shareholders’ Equity

On February 8, 2023, the Company announced that the Board of Directors authorized a share repurchase program of up to 500,000 shares of the Company’s common stock over atwo-yearperiod. Repurchases under the program may occur from time to time in the open market, through privately negotiated transactions, through block purchases or other purchase techniques, or by any combination of such methods, and the program may be modified, suspended or terminated at any time at the discretion of the Board of Directors. During the three months ended September 30, 2023, the Company did not repurchase any shares of common stock. During the nine months ended September 30, 2023 March 31, 2024, the Company repurchased 62,361 9,222 shares of common stock at an average price of $9.15 $8.70 per share under this program.

Additionally, the Company makes stock purchases from time to time to satisfy employee tax obligations related to its Stock Incentive Plan. The Company did not purchase any shares to satisfy employee tax obligations during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

11. Earnings (Loss) Per Share

The computation of basic earnings (loss) per share is based on the Company's net income (loss) divided by the weighted average number of common shares of Common Stock outstanding. Diluted earnings (loss) per share reflect the potential dilution that could occur if outstanding stock options were exercised. The dilutive effect of stock options was calculated using the treasury stock method.

For the three months ended September 30, 2023, there were 1,473,000 anti-dilutive stock options excluded from the computation of diluted earnings per share. For the nine months ended September 30, 2023 March 31, 2024, all stock options and restricted shares were anti-dilutive and excluded from the computation of diluted (loss) per share. For the three and nine months ended September 30, 2022 March 31, 2023, there were 644,000 and 549,000 1,390,000 anti-dilutive stock options excluded from the computation of diluted earnings per share.

12. Business Segments and Geographic Information

Our reporting segments are: 1) Data and Analytics Services; and 2) IT Staffing Services.

The Data and Analytics Services segment was acquired through the July 13, 2017, acquisition of the services division of Canada-based InfoTrellis, Inc. This segment is a project-based consulting services business with specialized capabilities in data management and analytics. The business is marketed as "Mastech InfoTrellis" and utilizes a dedicated sales team with deep subject matter expertise. Mastech InfoTrellis has offices in Atlanta, Toronto and London, and a global delivery center in Chennai, India. Project-based delivery reflects a combination ofon-siteresources and offshore resources. Assignments are secured on both a time and material and fixed price basis. In October 2020, we acquired AmberLeaf, a Chicago-based customer experience consulting firm. This acquisition expanded our capabilities in customer experience strategy and managed services offering for a variety of Cloud-based enterprise application across sales, marketing and customer service organizations.

16

The IT Staffing Services segment offers staffing services in digital and mainstream technologies, engineering services and uses digital methods to enhance organizational learning. These services are marketed using a common sales force and delivered via our domestic and global recruitment centers. While the vast majority of our assignments are based on time and materials, we do have the capabilities to deliver our digital transformation services on a fixed price basis.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)	
Revenues:						
Data and Analytics Services	$ 8,038	$ 10,076	$ 26,206	$ 31,478	$ 8,067	$ 9,395
IT Staffing Services	39,741	53,074	128,840	153,544	38,756	45,668
Total revenues	$ 47,779	$ 63,150	$ 155,046	$ 185,022	$ 46,823	$ 55,063
Gross Margin %:						
Data and Analytics Services	45.8%	39.6%	43.1%	42.8%	46.4%	38.5%
IT Staffing Services	22.4%	23.2%	22.0%	23.1%	21.6%	21.6%
Total gross margin %	26.3%	25.8%	25.6%	26.5%	25.9%	24.5%
Segment operating income (loss):						
Data and Analytics Services	$ (832)	$ 826	$ (2,393)	$ 2,615	$ (454)	$ (680)
IT Staffing Services	1,476	3,892	5,227	10,542	741	1,905
Subtotal	644	4,718	2,834	13,157	287	1,225
Amortization of acquired intangible assets	(693)	(791)	(2,079)	(2,375)	(693)	(693)
Employment-related claim, net of recoveries	—	—	(3,100)	—		
Reserve for cyber-security breach	—	(450)	—	(450)		
Severance expense	—	(120)	—	(120)		
Interest expenses, FX gains/losses and other, net	203	—	200	8		
Interest expense, FX gains/losses and other, net					124	(53)

Income (loss) before income taxes	$ 154	$ 3,357	$ (2,145)	$ 10,220	$ (282)	$ 479

Below is a reconciliation of segment total assets to consolidated total assets:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Amounts in thousands)		(Amounts in thousands)	
Total assets:				
Data and Analytics Services	$ 51,845	$ 54,544	$ 44,892	$ 45,681
IT Staffing Services	57,698	54,335	61,178	59,546
Total assets	$ 109,543	$ 108,879	$ 106,070	$ 105,227

Below is geographic information related to our revenues from external customers:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(Amounts in thousands)		(Amounts in thousands)		(Amounts in thousands)	
United States	$ 46,778	$ 61,704	$ 151,798	$ 180,519	$ 46,116	$ 53,755
Canada	627	1,038	2,159	3,187	294	831
India and Other	374	408	1,089	1,316	413	477
Total revenues	$ 47,779	$ 63,150	$ 155,046	$ 185,022	$ 46,823	$ 55,063

13. Recently Issued Accounting Standards

Recently Adopted Accounting Pronouncements

In October 2021, November 2023, the Financial Accounting Standards Board ("FASB") issued ASU2021-08, 2023-07,"Business Combinations Segment Reporting (Topic 805) 280): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" Improvements to Reportable Segment Disclosures". The amendments in this ASU require disclosure of incremental segment information on an annual and interim basis. Additional disclosures include significant segment expenses that an entity (acquirer) recognize are part of segment profit or loss; the title and measure contract assets and contract liabilities acquired in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, as if it had originated the contracts as position of the acquisition date. chief operating decision maker; and how the chief operating decision maker uses segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments in this ASU are effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2022 December 15, 2024. We adopted Early adoption is permitted. The Company does not expect this ASU on January 1, 2023 with no to have a material impact on our its financial statements.

In December 2023, the FASB issued ASU2023-09,"Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in this ASU enhance the transparency and usefulness of income tax disclosures. Additional disclosures include specific rate reconciliation categories; additional disclosure for reconciling items that meet a quantitative threshold; and federal, state and foreign income taxes paid by individual jurisdiction. The amendments in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company does not expect this ASU to have a material impact on its financial statements.

A variety of proposed or otherwise potential accounting standards are currently under consideration by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, management has not yet determined the effect, if any that the implementation of such proposed standards would have on the Company's consolidated financial statements.

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

You should read the following discussion in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 December 31, 2023, included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 27, 2023 March 15, 2024.

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about future events, future performance, plans, strategies, expectations, prospects, competitive environment and regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words, "may", "will", "expect", "anticipate", "believe", "estimate", "plan", "intend" or the negative of these terms or similar expressions in this quarterly report on Form 10-Q. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Risk Factors", "Forward-Looking Statements" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update forward-looking statements and the estimates and assumptions associated with them, after the date of this quarterly report on Form 10-Q, except to the extent required by applicable securities laws.

Website Access to SEC Reports:

The Company's website is www.mastechdigital.com. The Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, current reports on Form 8-K and all other reports filed with the SEC, are available free of charge on the Investors page. The website is updated as soon as reasonably practical after such reports are filed electronically with the SEC.

Critical Accounting Policies

Please refer to Note 1 "Summary of Significant Accounting Policies" of the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a more detailed discussion of our significant accounting policies and critical accounting estimates. There were no material changes to these critical accounting policies during the nine three months ended September 30, 2023 March 31, 2024.

18

2024 Primentor, Inc. Consulting Agreement

On January 12, 2024, we entered into a consulting services agreement with Primentor, Inc., a California corporation; Phaneesh Murthy ("Murthy"), the owner of Primentor; Srinjay Sengupta ("Sengupta"), a consultant of Primentor; and Sunil Wadhwani and Ashok Trivedi (together the "Founders"), each co-founders and directors of the Company. Under the terms of the consulting services agreement, Primentor will provide the Company with strategic advisory and management consulting services, as well as any other business and organizational strategy services as the Board of Directors of Company may reasonably request from time to time.

The initial term of the consulting services agreement is for a three-year period commencing January 12, 2024, and the Company may request to renew the term for additional successive one-year terms, in which case Primentor and the Company will negotiate to agree upon the scope of the additional services and the amount of additional consulting fees.

As compensation to Primentor, Murthy and Sengupta for providing the services requested by the Company, the Company will provide the following compensation:

1) Consulting fees to Primentor of $990,000 in year one; $270,000 in year two; and $120,000 in year three, plus reimbursement for any reasonable and documented out-of-pocket expenses incurred by Primentor's personnel in rendering the services;
2) Stock options to purchase up to 192,500 shares of the Company's common stock to each, Murthy and Sangupta, at an exercise price of $8.34 per share, with vesting occurring equally on an annual basis over a three-year period; and
3) Murthy and Sangupta will each receive from the Founders, for no additional consideration, an aggregate number of shares of common stock of the Company held by the Founders that is equal to 1.1% of the total number of shares of common stock of the Company outstanding at the time of a triggering event, as defined in the consulting services agreement.

The foregoing description of the consulting agreement is qualified in its entirety by reference to the full text of the Consulting Agreement (including the form of stock option agreements attached as exhibits thereto), which was filed by the Company as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on January 19, 2024.

Employment-Related Claims Against the Company

In December 2022, the Company received a demand letter from the attorney of a former employee who resigned from his employment with the Company in November 2022. Among other allegations in the letter, this former employee has asserted various employment-related claims against the Company, including a claim of wrongful termination. For the year ended December 31, 2023, the Company settled this claim for $3.1 million, net of recoveries, under the terms of a confidential settlement agreement. In addition to the settlement amount, we incurred approximately $0.9 million in professional services fees related to this matter during 2023.

For the three and nine months ended September 30, 2023 March 31, 2023, the Company incurred $225,000 and $1.2 million, respectively, approximately $400,000 of professional service services fees related to this matter. Additionally, the Company recorded a $3.1 million loss reserve, net of recoveries in the second quarter of 2023, with respect to an estimated settlement. During the third quarter, we settled this claim and, under the terms of the settlement agreement with this former employee, we paid the settlement amount. The exact terms of the settlement agreement are to remain confidential; however, the settlement amount, net of expected recoveries, was fully reserved in the second quarter of 2023 matter and is included in Selling, General selling, general and Administrative administrative expenses in the Condensed Consolidated Statement Statements of Operations included in Operations. During the first quarter of 2024, no expenses related to this quarterly report on Form 10-Q. matter were incurred.

Overview:

We are a provider of Digital Transformation IT Services to mostly large and medium-sized organizations.

Our portfolio of offerings includes data management and analytics services, other digital transformation services, such as digital learning services, and IT Staffing Services.

We operate in two reporting segments – Data and Analytics Services and IT Staffing Services. Our data and analytics services are marketed on a global basis under the brand "Mastech InfoTrellis" and are delivered largely on a project basis with on-site and off-shore resources. These data and analytics capabilities and expertise were acquired through our acquisition of InfoTrellis and enhanced and expanded subsequent to the acquisition. In October 2020, we acquired AmberLeaf Partners, Inc. ("AmberLeaf"), a Chicago-based customer experience consulting firm. This acquisition enhanced our capabilities in customer experience strategy and managed services offerings for a variety of Cloud-based enterprise applications across sales, marketing and customer services organizations. Our IT staffing business combines technical expertise with business process experience to deliver a broad range of staffing services in digital and mainstream technologies, as well as other digital transformation services.

Both business segments provide their services across various industry verticals, including financial services, government, healthcare, manufacturing, retail, technology telecommunications and transportation. In our Data and Analytics Services segment, we evaluate our revenues and gross profits largely by service line. In our IT Staffing Services segment, we evaluate our revenues and gross profits largely by sales channel responsibility. This analysis within both our reporting segments is multi-purposed and includes technologies employed, client relationships, and geographic locations.

Data and Analytics:

We provide information regarding our new bookings in our Data and Analytics Services segment, which represents the estimated value of client engagements, including those acquired through acquisitions, as well as renewals and extensions to existing contracts, because we believe doing so provides useful trend information regarding changes in the volume of our new business over time. New bookings can vary significantly quarter to quarter, depending, in part, on the timing of the signing of a small number of large engagements. Among other factors, the types of services and solutions to be delivered, the duration of the engagement and the pace and level of client spending impact the timing of the conversion of new bookings to revenues. In addition, substantially all of our contracts are terminable by the client on short notice, with little or no termination penalties. Information regarding our new bookings is not comparable to, nor should it be substituted for, an analysis of our revenues over time. New bookings involve estimates and judgments. There are no third-party standards or requirements governing the calculation of bookings. We do not update our new bookings for material subsequent terminations or reductions related to bookings originally provided in prior periods.

Economic Trends and Outlook:

Generally, our business outlook is highly correlated to general North American economic conditions. conditions, particularly with respect to our IT Staffing Services segment. During periods of increasing employment and economic expansion, demand for our services tends to increase. Conversely, during periods of contracting employment and/ and / or a slowing global economy, demand for our services tends to decline. As the economy slowed in 2007 and recessionary conditions emerged in 2008 and 2009, we experienced less demand for our IT Staffing Services. With economic expansion during the period from in 2010 through 2019 activity levels improved. However, as the recovery economic conditions strengthened, we experienced increased tightness in the supply-side supply side (skilled IT professionals) of our businesses. These supply-side challenges pressured resource costs and, to some extent, gross margins. As we entered 2020, we were encouraged by continued growth in the domestic job markets and expanding U.S. and global economies. However, with the COVID-19 pandemic starting surfacing in the first quarter of 2020, we realized the that economic growth would quickly turn into recessionary conditions, which had a material impact on activity levels in both of our business segments. In 2021, we were encouraged by the global rollout of vaccination programs and signs of economic improvement, however, the proliferation of COVID-19 variants has have caused further some uncertainty and disruption in the global markets. In 2022 and 2023, COVID-19-related concerns seemed to subside, subside; however, increased inflation, expanding challenges in the financial sector related to increasing interest rates, and concerns about a possible recession created much uncertainty and adversely impacted demand for our services in the second half of 2022 and the year. During entire year of 2023. While economic conditions in North American have shown signs of improvement during the first nine months quarter of 2023, economic 2024, a level of uncertainty continued remains with respect to impact our businesses, particularly in our IT Staffing Services segment, as we experienced reduced demand from our clients inflation and prospective clients, largely the potential of escalations of existing conflicts in the financial services industry. Additionally, it Middle East and Ukraine. It is difficult to predict the impact or duration that these economic pressures may have on our businesses and results of operations in future quarters. quarters or how market conditions are going to unfold over the course of 2024 and beyond.

In addition to tracking general economic conditions in the markets that we service, a large portion of our revenues is generated from a limited number of clients (see Item 1A, the Risk Factor entitled “Our revenues are highly concentrated, and the loss of a significant client would adversely affect our business and revenues” in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023). Accordingly, our trends and outlook are additionally impacted by the prospects and well-being of these specific clients. This “account concentration” factor may result in our results of operations deviating from the prevailing economic trends from time to time.

Within our IT Staffing Services segment, a larger portion of our revenues has come from strategic relationships with systems integrators and other staffing organizations. integrators. Additionally, many large end users of IT staffing services are employing managed service providers MSP’s to manage their contractor spending. Both of these dynamics may pressure our IT staffing gross margins in the future.

Recent growth in advanced technologies (social, cloud, analytics, mobility, automation) is providing opportunities within our IT Staffing Services segment. However, supply side challenges have proven to be acute with respect to many of these technologies. We believe these challenges will remain in the remainder of 2023 and likely into 2024.

Within our Data and Analytics Services segment, many customers are satisfying their data and analytics needs using a holistic approach. This often results in the customer using one vendor partner rather than multiple vendors. We have responded to this trend by establishing a service offering called “Center of Excellence,” which bundles a customer’s total requirements under a multi-year contract. This concept allows us to better understand the customer’s longer-term strategy with respect to data and analytics and effectively address such needs.

Results of Operations for the Three Months Ended September 30, 2023 March 31, 2024 as Compared to the Three Months Ended September 30, 2022 March 31, 2023:

Revenues:

Revenues for the three months ended September 30, 2023 March 31, 2024 totaled $47.8 $46.8 million, compared to $63.2 $55.1 million for the corresponding three-month period in 2022. 2023. This 24% 15% year-over-year revenue decline decrease reflected a 20% decrease 14% decline in our Data and Analytics Services segment and a 25% 15% decline in our IT Staffing Services segment. For the three months ended September 30, 2023 March 31, 2024, the Company had one client that had revenues in excess of 10% of total revenues (CGI = 21.1% 17.4%). For the three months ended September 30, 2022 March 31, 2023, the Company had the same one client that had revenues in excess of 10% of total revenues (CGI = 23.7% 25.5%). The Company’s top ten clients represented approximately 52% 51% and 54% 56% of total revenues for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Below is a tabular presentation of revenues by reportable segment for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

Revenues (Amounts in millions)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022		
Revenues (Amounts in thousands)			Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Data and Analytics Services	$ 8.0	$ 10.1	$ 8,067	$ 9,395
IT Staffing Services	39.8	53.1	38,756	45,668
Total revenues	$ 47.8	$ 63.2	$ 46,823	$ 55,063

Revenues from our Data and Analytics Services segment totaled $8.0 $8.1 million in the quarter ended September 30, 2023 March 31, 2024, compared to $10.1 $9.4 million in the corresponding quarter last year. This year-over-year decline largely reflects a soft booking performance during the first nine months 2023. Bookings during the first quarter of 20% reflected client spending reductions on several existing projects and assignment delays with respect 2024 totaled $9.6 million, a 14% improvement compared to new orders. New bookings $8.4 million in the third first quarter of 2023 totaled $5.1 million, which were significantly below second quarter 2023 bookings due to award delays on assignments in which we received verbal commitments from 2023. Additionally, pipeline opportunities and RFP activity remained solid during the client. quarter.

Revenues from our IT Staffing Services segment totaled $39.8 $38.8 million in the three months ended September 30, 2023 March 31, 2024, compared to $53.1 $45.7 million during the corresponding 2022 2023 period. This 25% year-over-year decrease reflected lower demand for our services, particularly with respect to financial services clients. Our financial services consultant base decreased from approximately 53% at December 31, 2022 to 44% at September 30, 2023. Total billable consultants declined by 49 during the 2023 third quarter compared to a decline of 83 in the 2023 second quarter. While this quarterly decline in billable headcount is a significant improvement from the previous quarter, it still had a negative impact on our revenue performance was down considerably compared to the corresponding 2023 period, it was 2% higher sequentially when compared to revenues from our IT Staffing Services segment in the fourth quarter of 2022. Billable 2023. Billing consultant headcount increased during the quarter by 58-consultants, which was a 6% improvement over our headcount at December 31, 2023. Billing consultants at September 30, 2023 March 31, 2024 totaled 992-consultants 1,004-consultants compared to down from 1,307-consultants 1,124-consultants one year earlier. at March 31, 2023. Our average bill rate during in the third first quarter of 2023 2024 for this segment was $80.96 $79.30 per hour compared to $81.60 $80.55 per hour in the third first quarter of last year. This decrease 2023. The slight decline in the average bill rate was due to lower rates on new assignments during the 2023 period and was is reflective of the types of skill sets that we deployed. Permanent placements placement / fee revenues were approximately $0.2 million during the 2023 third quarter compared to $0.5 million in the corresponding quarter ended March 31, 2024, which was in-line with our permanent placement performance of 2022. a year ago.

21

Gross Margins:

Gross profits in the third first quarter of 2024 totaled $12.1 million, compared to gross profits of $13.5 million in the first quarter of 2023, totaled $12.6 million, compared to $16.3 million in the third quarter of 2022. a 10% year-over-year decrease. Gross profit as a percentage of revenue was 26.3% 25.9% for the three-month period ended September 30, 2023 ending March 31, 2024, compared to 25.8% 24.5% during the same period of 2022. 2023. This 50-basis 140-basis point increase related to improved utilization reflected strong gains in the our Data and Analytics Services segment.

21

Below is a tabular presentation of gross margin by reporting segment for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

Gross Margin	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Data and Analytics Services	45.8%	39.6%	46.4%	38.5%
IT Staffing Services	22.4	23.2	21.6	21.6
Total gross margin	26.3%	25.8%	25.9%	24.5%

Gross margins from for our Data and Analytics Services segment were 45.8% of revenues 46.4% during the third first quarter of 2023, 2024, compared to 39.6% of revenues during 38.5% in the third first quarter of 2022. 2023. The margin improvement reflected higher project margins and a significantly higher utilization in the 2023 period. In the third quarter of 2022, we did not fully deploy our billable resources, which negatively impacted utilization. Additionally, we incurred a project cost-over-run of $0.3 million on a fixed priced assignment during the 2022 period. rate.

Gross margins from for our IT Staffing Services segment were 22.4% 21.6% in the third first quarter of 2023, 2024, which is flat compared to 23.2% during the corresponding quarter of 2022. This 80-basis point decline was 2023. Project margins were slightly higher in 2024 and were largely due to lower permanent placement fees and offset by higher medical claims related to our self-insured healthcare program. benefit costs.

Selling, General and Administrative ("SG&A") Expenses:

Below is a tabular presentation of operating expenses by expense category for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

SG&A Expenses (Amounts in millions)	**Three Months Ended September 30, 2023**	**Three Months Ended September 30, 2022**	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
Data and Analytics Services Segment				
Sales and Marketing	$ 1.8	$ 1.0	$ 2.4	$ 1.4
Operations	0.3	0.6	0.2	0.5
General & Administrative	2.4	1.6	1.6	2.4
Subtotal Data and Analytics Services	**$ 4.5**	**$ 3.2**	**$ 4.2**	**$ 4.3**
SG&A Expenses (Amounts in millions)				
IT Staffing Services Segment				
Sales and Marketing	$ 2.0	$ 2.4	$ 2.2	$ 2.2
Operations	2.1	2.7	1.9	2.5
General & Administrative	3.3	3.3	3.5	3.2
Subtotal IT Staffing Services	**$ 7.4**	**$ 8.4**	**$ 7.6**	**7.9**
Amortization of Acquired Intangible Assets	$ 0.7	$ 0.8	$ 0.7	$ 0.7
Reserve for cyber-security breach	—	0.4		
Severance expense	—	0.1		
Total SG&A Expenses	**$ 12.6**	**$ 12.9**	**$ 12.5**	**$ 12.9**

SG&A expenses for the three months ended September 30, 2023 March 31, 2024 totaled $12.6 $12.5 million or 26.4% 26.7% of total revenues, compared to $12.9 million or 20.4% 23.5% of total revenues for the three-months three months ended September 30, 2022 March 31, 2023. Excluding the amortization of acquired intangible assets in both periods, and reserves for severance and a cyber-security breach in the 2022 quarter, SG&A expense as a percentage of total revenues was 25.0% would have been 25.2% and 18.4% 22.1%, respectively.

Fluctuations within SG&A expense components during the third first quarter of 2023, 2024, compared to the third first quarter of 2022, 2023, included the following:

- Sales expense increased by $0.4 $1.0 million in the 2023 2024 period compared to the corresponding 2022 2023 period. Approximately $0.8 million related to This increase reflected a larger sales team and higher marketing and event costs in our Data and Analytics Services segment, which reflected additional staff and higher variable compensation expense in the 2023 third quarter. segment. Sales expense in our IT Staffing Services segment decreased by $0.4 million, largely due was flat compared to lower commissions, bonuses and other variable expenses. the previous year.

- Operations expenses decreased by $0.9 million in the 2023 2024 period compared to the corresponding 2022 2023 period. Operations expenses were down $0.3 million in our Data and Analytics Services segment due to staff reductions. reductions and lower compensation expenses. In our IT Staffing Services segment, operations expenses decreased by $0.6 million and reflected reductions in lower recruitment staff and lower variable expenses related to our lower revenues. expenses.

- General and administrative expense increased expenses declined by $0.8 $0.5 million in the 2023 2024 period compared to the corresponding 2022 2023 period. General and administrative expenses expense in our Data and Analytics Services segment increased decreased by $0.8 million due to higher a lower number of executive leadership staff increases and higher professional service fees of $0.2 million. lower stock-based compensation expense. In our IT Staffing Services segment, general and administrative expenses were flat as higher cyber-security-related initiatives were offset increased by lower bonus accruals. $0.3 million due to strategic consulting expenses associated with our consulting agreement with Primentor.

- Amortization of acquired intangible assets was $0.7 million in the 2023 period, compared to $0.8 million in the corresponding 2022 period.
- Reserve for a cyber-security breach totaled $0.4 million in the 2022 period, compared to no expense in both 2024 and 2023.

- Severance expense associated with the closure of operations in Singapore and Ireland, and the rationalization of our cost structure in the UK totaled $0.1 million in the 2022 period, compared to no expense in 2023. 22

Other Income / (Expense) Components:

Other Income / (Expense) for the three months ended September 30, 2023 March 31, 2024 consisted of net interest income of $148,000 $154,000 and foreign exchange gains losses of $55,000. ($30,000). For the three months ended September 30, 2022 March 31, 2023, Other Income / (Expense) consisted of net interest expense income of ($85,000) $4,000 and foreign exchange gains losses of $85,000. Higher $(57,000). The higher level of net interest income was reflective of higher cash balances on hand, no outstanding borrowings and a stronger U.S. dollar in the 2023 quarter were responsible for the favorable year-over-year variance from the 2022 2024 period.

Income Tax Expense (Benefit):

Income tax expense (benefit) for the three months ended September 30, 2023 March 31, 2024 totaled $29,000, ($121,000), representing an effective tax rate on our pre-tax income loss of 18.8% (42.9%), compared to $1.0 million $218,000 for the three months ended September 30, 2022 March 31, 2023, which represented a 28.3% 45.6% effective tax rate on pre-tax income. The higher favorable effective tax rate in the 2022 2024 period largely reflected an increase in a favorable adjustment to our tax valuation allowance related to foreign net operating losses in the utilization of Singapore Ireland and the UK. Additionally, the tax rate in 2023 reflected a benefit related to an adjustment for non-deductible meals and entertainment. benefits.

Results of Operations for the Nine Months Ended September 30, 2023 as Compared to the Nine Months Ended September 30, 2022:

Revenues:

Revenues for the nine months ended September 30, 2023 totaled $155.0 million, compared to $185.0 million for the corresponding nine-month period in 2022. This 16% year-over-year revenue decline reflected a 16% decrease in our IT Staffing Services segment and a 17% decline in our Data and Analytics Services segment. For the nine months ended September 30, 2023, the Company had one client that had revenues in excess of 10% of total revenues (CGI = 23.7%). For the nine months ended September 30, 2022, the Company had the same one client that had revenues in excess of 10% of total revenues (CGI = 21.3%). The Company's top ten clients represented approximately 54% and 53% of total revenues for the nine months ended September 30, 2023 and 2022, respectively.

Below is a tabular presentation of revenues by reportable segment for the nine months ended September 30, 2023 and 2022, respectively:

Revenues (Amounts in millions)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Data and Analytics Services	$ 26.2	$ 31.5
IT Staffing Services	128.8	153.5
Total revenues	$ 155.0	$ 185.0

Revenues from our Data and Analytics Services segment totaled $26.2 million during the nine months ended September 30, 2023, compared to $31.5 million in the corresponding nine-month period last year. The 17% year-over-year decline reflected client spending reductions on several existing projects and assignment delays on new orders.

Revenues from our IT Staffing Services segment totaled $128.8 million in the nine months ended September 30, 2023, compared to $153.5 million during the corresponding 2022 period. This 16% decline largely reflected a lower level of billable consultants due to lower demand for staffing services in the 2023 period.

Gross Margins:

Gross profits in the nine months ended September 30, 2022 totaled $39.7 million, compared to $49.0 million during the corresponding 2022 period. Gross profit as a percentage of revenue was 25.6% for the nine-month period ended September 30, 2023, compared to 26.5% during the same period of 2022. This 90-basis point decline reflected lower gross margins in the IT Staffing Services segment.

Below is a tabular presentation of gross margin by reporting segment for the nine months ended September 30, 2023 and 2022, respectively:

Gross Margin	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Data and Analytics Services	43.1 %	42.8 %
IT Staffing Services	22.0 %	23.1 %
Total gross margin	25.6 %	26.5 %

Gross margins from our Data and Analytics Services segment were 43.1% of revenues during the nine-month period ended September 30, 2023, compared to gross margins of 42.8% in the corresponding period of 2022. The margin improvement reflected better utilization rates during the first nine months of 2023.

Gross margins from our IT Staffing Services segment were 22.0% in the nine months ended September 30, 2023, compared to 23.1% during the corresponding period of 2022. This 110-basis point reduction was due to lower permanent placement revenues of $0.9 million (70-basis point impact of GM%) and higher medical claims related to our self-insured healthcare program in the 2023 period.

Selling, General and Administrative (“SG&A”) Expenses:

Below is a tabular presentation of operating expenses by expense category for the nine months ended September 30, 2023 and 2022, respectively:

SG&A Expenses (Amounts in millions)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Data and Analytics Services Segment		
Sales and Marketing	$ 5.2	$ 4.7
Operations	1.1	1.9
General & Administrative	7.4	4.4
Subtotal Data and Analytics Services	**$ 13.7**	**$ 11.0**
IT Staffing Services Segment		

Sales and Marketing	$	6.4	$	7.3
Operations		6.7		8.4
General & Administrative		10.0		9.2
Subtotal IT Staffing Services	**$**	**23.1**	**$**	**24.9**
Amortization of Acquired Intangible Assets	$	2.1	$	2.4
Reserve for Cyber-security Breach		—		0.4
Severance expense		—		0.1
Employment-related Claim, net of Recoveries		3.1		—
Total SG&A Expenses	**$**	**42.0**	**$**	**38.8**

SG&A expenses for the nine months ended September 30, 2023 totaled $42.0 million or 27.1% of total revenues, compared to $38.8 million or 21.0% of total revenues for the nine months ended September 30, 2022. Excluding the employment-related claim in 2023, the reserve for a cyber-security breach and severance expense in 2022, and the amortization of acquired intangible assets in both periods, SG&A expense as a percentage of total revenues was 23.8% and 19.4%, respectively.

Fluctuations within SG&A expense components during the first nine months of 2023, compared to the first nine months of 2022, included the following:

- Sales expense decreased by $0.4 million in the 2023 period compared to the corresponding 2022 period. Sales expense in our Data and Analytics Services segment increased by $0.5 million in the 2023 period and reflected lower variable compensation expense in the third quarter of 2022. Sales expense in our IT Staffing Services segment was lower by $0.9 million due to lower variable compensation and other variable expense items.
- Operations expenses decreased by $2.5 million in the 2023 period, compared to the corresponding 2022 period. In our Data and Analytics Services segment operations expenses decreased by $0.8 million due to staff reductions and lower commission expense. Operations expenses in our IT Staffing Services segment declined by $1.7 million and largely related to recruitment staff reductions and lower other variable expenses.
- General and administrative expense increased by $3.8 million in the 2023 period compared to the corresponding 2022 period. General and administrative expense in our Data and Analytics Services segment increased by $3.0 million due to executive leadership staff increases and higher professional services fees related to an employment claim of $1.2 million. In our IT Staffing Services segment, general and administrative expense increased by $0.8 million due to higher corporate-related expenses and an increase in cyber-security expenditures.
- Amortization of acquired intangible assets was $2.1 million in 2023, compared to $2.4 million in the 2022 period.
- Reserve for a cyber-security breach totaled $0.4 million in the 2022, compared to no expense in 2023.
- Severance expense associated with the closure of operations in Singapore and Ireland, and the rationalization of our cost structure in the UK totaled $0.1 million in the 2022 period, compared to no expense in 2023.
- Employment-related claim reserve, net of expected recoveries, totaled $3.1 million in the 2023 period, compared to no expense in the corresponding 2022 period.

Other Income / (Expense) Components:

Other Income / (Expense) for the nine months ended September 30, 2023 consisted of interest income of $232,000 and foreign exchange losses of ($32,000). For the nine months ended September 30, 2022, Other Income / (Expense) consisted of interest expense of ($326,000) and foreign exchange gains of $334,000. Currency fluctuations, cash balances on hand and no outstanding borrowings in the 2023 period were responsible for the favorable year-over-year variance.

Income Tax Expense:

Income tax benefit for the nine months ended September 30, 2023 totaled $358,000, representing an effective tax rate on pre-tax loss of 16.7% compared to income tax expense of $3.0 million for the nine months ended September 30, 2022, which represented a 29.8% effective tax rate on pre-tax income. The higher effective tax rate in the 2022 period was due to higher state taxes and higher excess tax expense from stock options and restricted shares activity.

Liquidity and Capital Resources:

Financial Conditions and Liquidity:

As of September 30, 2023 March 31, 2024, we had no bank debt, cash balances on hand, of $15.9 $19.4 million no bank debt outstanding and approximately $25 $24.2 million of borrowing capacity under our existing credit facility.

Historically, we have funded our organic business needs with cash generated from operating activities. Controlling our operating working capital levels by closely managing our accounts receivable balance is an important element of cash generation. As of September 30, 2023 March 31, 2024, our accounts receivable "days sales outstanding" ("DSOs") measurement improved by was 1-day 56-days, to 55-days from our June 30, 2023 measurement. which was 5 days lower than at March 31, 2023.

We believe that cash provided by operating activities, cash balances on hand and current availability under our credit facility will be adequate to fund our business needs and support our share repurchase program that we announced in February 2023 over the next twelve months, exclusive of any acquisition activity.

Cash flows provided by (used in) operating activities:

Cash provided by (used in) operating activities for the nine three months ended September 30, 2023 March 31, 2024 totaled $10.5 million ($1.3 million), compared to cash $3.1 million provided by operating activities of $7.7 million during the nine three months ended September 30, 2022 March 31, 2023. Elements of cash flows in 2024 were a net loss of ($0.2 million), non-cash charges of $1.5 million, and an increase in operating working capital levels of ($2.6 million). Elements of cash flows in the 2023 period were net loss income of ($1.8 million), $0.3 million, non-cash charges of $5.1 $1.6 million, and a decrease in operating working capital levels of $7.2 $1.2 million. During In the nine months ended September 30, 2022, elements of cash flows were net income of $7.2 million, non-cash charges of $5.5 million and an increase in 2024 quarter, sequential revenue growth impacted operating working capital, levels of ($5.0 million). The operating working capital decline particularly in 2023 reflected our lower revenues and a lower DSO measurement compared to revenue growth in the 2022 period. accounts receivable balances.

Cash flows (used in) investing activities:

Cash (used in) investing activities for the nine three months ended September 30, 2023 March 31, 2024 was ($0.1 million) 278,000), compared to ($0.8 million) 7,000) for the nine three months ended September 30, 2022 March 31, 2023. In 2023, the 2024 period, capital expenditures totaled ($0.2 million), were responsible for our entire cash usage in investing activities. In the 2023 period, investing activities included $97,000 of capital expenditures, partially offset by the recovery $90,000 of non-current deposits of $0.1 million. In 2022, deposit recoveries. The increase in capital expenditures accounted for nearly all of our investing activities. Capital in 2024, compared to 2023 reflects expenditures during the 2022 period were higher than in 2023 and largely related to system upgrades laptop purchases and transitioning our Data and Analytics Services segment to our Oracle Cloud platform. other technology enhancements.

Cash flows provided by (used in) financing activities:

Cash (used in) financing activities for the nine three months ended September 30, 2023 March 31, 2024 totaled ($1.5 million) and consisted 80,000) related to the repurchase of ($1.1 million) of term loan repayments and the purchase of treasury shares common stock under our share repurchase program of ($0.6 million), partially offset by $0.2 million related to proceeds from the issuance of shares of common stock under the Employee Stock Purchase Plan. program. Cash (used in) financing activities for the nine three months ended September 30, 2022 March 31, 2023 totaled ($9.4 1.1 million) and consisted of ($10.9 million) of term loan repayments, partially offset by $1.5 million related to the issuance of common stock applicable to the Company's Employee Stock Purchase Plan and the exercise of stock options. our final term-loan debt repayment.

Off-Balance Sheet Arrangements: Arrangements

We do not have any off-balance sheet arrangements.

23

Inflation:

We do not believe that inflation had a significant impact on our results of operations for the periods presented, although economic uncertainty, including the concerns of our clients and other companies with respect to inflationary conditions in North America and elsewhere, has had and may continue to have an adverse impact on the demand for our services. On an ongoing basis, we attempt to minimize any effects of inflation on our operating results by controlling operating costs and, whenever possible, seek to ensure that billing rates reflect increases in costs due to inflation. However, high levels of inflation may result in higher interest rates which could increase our cost of borrowings. borrowing costs in the future.

In addition, refer to “Item 1A. Risk factors” in our 2022 2023 Annual Report on Form 10-K for a discussion about risks that inflation directly or indirectly may pose to our business business.

Seasonality:

Our operations are generally not affected by seasonal fluctuations. However, our consultants’ billable hours are affected by national holidays and vacation policies. Accordingly, we generally have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

Recently Issued Accounting Standards:

Recent accounting pronouncements are described in Note 13 to the accompanying financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the inherent operational risks, the Company is exposed to certain market risks, primarily related to changes in interest rates and currency fluctuations.

Interest Rates

As of September 30, 2023 March 31, 2024, we had no outstanding borrowings under our Credit Agreement with PNC Bank — Refer to Note 8 – “Credit Facility” in the Notes to Condensed Consolidated Financial Statements, included herein.

Currency Fluctuations

The reporting currency of the Company and its subsidiaries is the U.S. dollar. The functional currency of the Company’s subsidiary in Canada is the U.S. dollar because the majority of its revenue is denominated in U.S. dollars. The functional currencies of the Company’s Indian and European subsidiaries are the local currency of the location of such subsidiary. The results of operations of the Company’s Indian and European subsidiaries are translated at the monthly average exchange rates prevailing during the period. The financial position of the Company’s Indian and European subsidiaries is translated at the current exchange rates at the end of the period, and the related translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within Shareholders’ Equity. Gains and losses resulting from foreign currency transactions are included as a component of other income (expense), net in the Condensed Consolidated Statements of Operations, and have not been material for all periods presented. A hypothetical 10% increase or decrease in overall foreign currency rates in the first nine months quarter of 2023 2024 would not have had a material impact on our consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits 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 the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly 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.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2023 March 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we are involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on March 27, 2023 March 15, 2024.

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

A summary of our Common Stock repurchased during the quarter ended September 30, 2023 March 31, 2024 is set forth in the following table:

Period	Total Number of Shares Purchased (1)	Average Price per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under this Plan or Programs (1)
July 1, 2023 — July 31, 2023	—	$ —	—	437,639
August 1, 2023 — August 31, 2023	—	$ —	—	437,639
September 1, 2023 — September 30, 2023	—	$ —	—	437,639
Total	—	$ —	—	437,639

Period	Total Number of Shares Purchased (1)	Average Price per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under this Plan or Programs (1)
January 1, 2024 — January 31, 2024	—	$ —	—	432,301
February 1, 2024 — February 29, 2024	6,338	$ 8.67	6,338	425,963
March 1, 2024 — March 31, 2024	2,884	$ 8.76	2,884	423,079
Total	9,222	$ 8.70	9,222	423,079

(1) On February 8, 2023, the Company announced that the Board of Directors authorized a share repurchase program of up to 500,000 shares of Common Stock over a two-year period. Repurchases under the program may occur from time to time in the open market, through privately negotiated transactions, through block purchases or other purchase techniques, or by any combination of such methods, and the program may be modified, suspended or terminated at any time at the discretion of the Board of Directors. The Company did not repurchase any shares of its Common Stock during the quarter ended September 30, 2023. March 31, 2024, other than through this publicly announced share repurchase program.

ITEM 5. OTHER INFORMATION

Disclosureof 10b5-1 plans

During the fiscal quarter ended March 31, 2024,none of our directors or officers informed us of the adoption, modification or termination of a“Rule 10b5-1 tradingarrangement”or “non-Rule 10b5-1 tradingarrangement,” as those terms are defined inRegulation S-K, Item408.

ITEM 6. EXHIBITS -

(a) Exhibits

10.1	Fifth Amended and Restated Executive Employment Agreement, dated as of March 8, 2024, between Mastech Digital Technologies, Inc., Mastech Digital, Inc. and Vivek Gupta, incorporated by reference to Exhibit 10.1 to Mastech Digital, Inc.’s Current Report on Form 8-K filed with the SEC on March 12, 2024
10.2	Fourth Amended and Restated Executive Employment Agreement, dated as of March 8, 2024, between Mastech Digital Technologies, Inc., Mastech Digital, Inc. and John J. Cronin, Jr., incorporated by reference to Exhibit 10.2 to Mastech Digital, Inc.’s Current Report on Form 8-K filed with the SEC on March 12, 2024
10.3	Consulting Services Agreement, made and entered into effective as of January 12, 2024, by and among Primentor Inc., Phaneesh Murthy, Srinjay Sengupta, Mastech Digital, Inc., Sunil Wadhwani, and Ashok Trivedi, incorporated by reference to Exhibit 10.1 to Mastech Digital, Inc.’s Current Report on Form 8-K filed with the SEC on January 19, 2024
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer is filed herewith.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer is filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Executive Officer is furnished herewith.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Financial Officer is furnished herewith.
101.INS	XBRL Instance Document. 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	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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, on this 10th 13th day of November, 2023. May, 2024.

MASTECH DIGITAL, INC.

November May 13, 2023 2024

/s/ VIVEK GUPTA

Vivek Gupta
Chief Executive Officer

/s/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer
(Principal Financial Officer)

30 28

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer

I, Vivek Gupta, certify that:

1. I have reviewed this report on Form 10-Q of Mastech Digital, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of the 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.

MASTECH DIGITAL, INC.

Date: November 13, 2023 May 13, 2024

/S/ VIVEK GUPTA

Vivek Gupta

Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer

I, John J. Cronin, Jr., certify that:

1. I have reviewed this report on Form 10-Q of Mastech Digital, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of the 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.

MASTECH DIGITAL, INC.

Date: November 13, 2023 May 13, 2024

/S/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.

Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mastech Digital, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vivek Gupta, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ VIVEK GUPTA

Vivek Gupta
Chief Executive Officer

Date: November 13, 2023 May 13, 2024

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mastech Digital, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Cronin, Jr. Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ JOHN J. CRONIN, JR.

John J. Cronin, Jr.
Chief Financial Officer

Date: November 13, 2023 May 13, 2024