REFINITIV

DELTA REPORT

10-Q

NSP - INSPERITY, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	880
CHANGES	176
DELETIONS	478
ADDITIONS	226

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REFINITIV

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

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2024 June 30, 2024

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File No. 1-13998

Insperity_logonotag_RGB.jpg

Insperity, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0479645**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

19001 Crescent Springs Drive
Kingwood, Texas 77339
(Address of principal executive offices)

(Registrant's Telephone Number, Including Area Code): (281) 358-8986

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, $0.01 par value per share	**NSP**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of April 24, 2024 July 30, 2024, 37,655,455 37,538,464 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

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FORWARD LOOKING STATEMENTS

The statements contained herein that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify such forward-looking statements by the words “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” “likely,” “possibly,” “probably,” “could,” “goal,” “opportunity,” “objective,” “target,” “assume,” “outlook,” “guidance,” “predicts,” “appears,” “indicator” and similar expressions. Forward-looking statements involve a number of risks and uncertainties. In the normal course of business, in an effort to help keep our stockholders and the public informed about our operations, from time to time, we may issue such forward-looking statements, either orally or in writing. Generally, these statements relate to business plans or strategies; including our strategic partnership with Workday, Inc.; projected or anticipated benefits or other consequences of such plans or strategies; or projections involving anticipated revenues, earnings, average number of worksite employees (“WSEEs”), benefits and workers’ compensation costs, or other operating results. We base these forward-looking statements on our current expectations, estimates and projections. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Therefore, the actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are:

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- adverse economic conditions;
- failure to comply with or meet client expectations regarding certain COVID-19 relief programs;
- bank failures or other events affecting financial institutions;
- labor shortages, increasing competition for highly skilled workers, and evolving employee expectations regarding the workplace;
- impact of inflation;
- vulnerability to regional economic factors because of our geographic market concentration;
- failure to comply with covenants under our credit facility;
- impact of a future outbreak of highly infectious or contagious disease;
- our liability for WSEE payroll, payroll taxes and benefits costs, or other liabilities associated with actions of our client companies or WSEEs, including if our clients fail to pay us;
- increases in health insurance costs and workers' compensation rates and underlying claims trends, health care reform, financial solvency of workers' compensation carriers, other insurers or financial institutions, state unemployment tax rates, liabilities for employee and client actions or payroll-related claims;
- an adverse determination regarding our status as the employer of our WSEEs for tax and benefit purposes and an inability to offer alternative benefit plans following such a determination;
- cancellation of client contracts on short notice, or the inability to renew client contracts or attract new clients;
- the ability to secure competitive replacement contracts for health insurance and workers' compensation insurance at expiration of current contracts;
- regulatory and tax developments and possible adverse application of various federal, state and local regulations;
- failure to manage growth of our operations and the effectiveness of our sales and marketing efforts;
- the impact of the competitive environment and other developments in the human resources services industry, including the professional employer organization (or PEO) industry, on our growth and/or profitability;
- an adverse final judgment or settlement of claims against Insperity;
- disruptions of our information technology systems or failure to enhance our service and technology offerings to address new regulations or client expectations;

FORWARD LOOKING STATEMENTS

- our liability or damage to our reputation relating to disclosure of sensitive or private information as a result of data theft, cyberattacks or security vulnerabilities;
- failure of third-party providers, such as financial institutions, data centers or cloud service providers;
- our ability to fully realize the anticipated benefits of our strategic partnership and plans to develop a joint solution with Workday, Inc.; and
- our ability to integrate or realize expected returns on future product offerings, including through acquisitions, strategic partnerships, and investments.

These factors are discussed in further detail in our Annual Report on Form 10-K for the year ended December 31, 2023 under "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, and elsewhere in this report. Any of these factors, or a combination of such factors, could materially affect the results of our operations and whether forward-looking statements we make ultimately prove to be accurate.

Any forward-looking statements are made only as of the date hereof and, unless otherwise required by applicable securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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FINANCIAL STATEMENTS
(Unaudited)

PART I
Item 1. Financial Statements
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)	*(in millions)* March 31, 2024	December 31, 2023	*(in millions)* June 30, 2024	December 31, 2023
Assets				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents				
Restricted cash				
Marketable securities				
Accounts receivable, net				
Prepaid insurance and related assets				
Funds held for clients and other current assets				
Funds held for clients and other current assets				
Funds held for clients and other current assets				
Total current assets				
Property and equipment, net of accumulated depreciation				
Right-of-use (“ROU”) leased assets				
Prepaid health insurance				
Deposits – health insurance				
Deposits – workers’ compensation				
Goodwill and other intangible assets, net				
Deferred income taxes, net				
Other assets				
Total assets				
Liabilities and stockholders' equity				
Accounts payable				
Accounts payable				
Accounts payable				
Payroll taxes and other payroll deductions payable				
Accrued worksite employee payroll costs				
Accrued health insurance costs				
Accrued workers’ compensation costs				
Accrued corporate payroll and commissions				
Income taxes payable				
Client funds liability and other accrued liabilities				
Total current liabilities				
Accrued workers’ compensation costs, net of current				
Long-term debt				

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Operating lease liabilities, net of current	
Total noncurrent liabilities	
Total noncurrent liabilities	
Total noncurrent liabilities	
Commitments and contingencies	
Common stock	
Additional paid-in capital	
Treasury stock, at cost	
Retained earnings	
Total stockholders' equity	
Total liabilities and stockholders' equity	

See accompanying notes.

FINANCIAL STATEMENTS
(Unaudited)

CONSOLIDATED STATEMENTS OF INCOME

		Three Months Ended March 31,					
		Three Months Ended June 30,				Six Months Ended June 30,	
(in millions, except per share amounts)	*(in millions, except per share amounts)*	2024	2023	*(in millions, except per share amounts)*	2024 2023	2024	2023
Revenues							
Revenues							
Revenues							
Payroll taxes, benefits and workers' compensation costs							
Gross profit							
Salaries, wages and payroll taxes							
Stock-based compensation							
Commissions							
Advertising							
General and administrative expenses							
Depreciation and amortization							
Total operating expenses							
Operating income							
Other income (expense):							
Interest income							
Interest income							
Interest income							
Interest expense							

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Income before income tax expense
Income tax expense
Net income
Net income per share of common stock
Net income per share of common stock
Net income per share of common stock
Basic
Basic
Basic
Diluted

See accompanying notes.

FINANCIAL STATEMENTS (Unaudited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
(in millions)	2024	2023
Cash flows from operating activities		
Net income	**$ 79**	**$ 95**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11	10
Stock-based compensation	10	11
Deferred income taxes	14	17
Changes in operating assets and liabilities:		
Accounts receivable	(30)	16
Prepaid insurance and related assets	(30)	(39)
Other current assets	(27)	(12)
Other assets and ROU assets	5	2
Accounts payable	(5)	1
Payroll taxes and other payroll deductions payable	(77)	(60)
Accrued worksite employee payroll costs	63	12
Accrued health insurance costs	25	26
Accrued workers' compensation costs	(4)	—
Accrued corporate payroll, commissions and other accrued liabilities	(15)	(46)
Income taxes payable/receivable	12	7
Total adjustments	**(48)**	**(55)**
Net cash provided by operating activities	**31**	**40**
Cash flows from investing activities		
Marketable securities:		
Purchases	(6)	(14)

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Proceeds from maturities	6	12
Property and equipment purchases	(5)	(7)
Net cash used in investing activities	**(5)**	**(9)**
Cash flows from financing activities		
Purchase of treasury stock	(23)	(35)
Dividends paid	(21)	(20)
Client funds liability and other	(39)	8
Net cash used in financing activities	**(83)**	**(47)**
Net decrease in cash, cash equivalents, restricted cash and funds held for clients	**(57)**	**(16)**
Cash, cash equivalents, restricted cash and funds held for clients beginning of period	1,035	1,014
Cash, cash equivalents, restricted cash and funds held for clients end of period	**$ 978**	**$ 998**
Supplemental cash flow information:		
ROU assets obtained in exchange for lease obligations	$ 4	$ 1

	Six Months Ended June 30,	
(in millions)	2024	2023
Cash flows from operating activities		
Net income	**$ 97**	**$ 107**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22	21
Stock-based compensation	30	26
Deferred income taxes	5	5
Changes in operating assets and liabilities:		
Accounts receivable	(46)	18
Prepaid insurance and related assets	(27)	(11)
Other current assets	(11)	—
Other assets and ROU assets	11	1
Accounts payable	(4)	(1)
Payroll taxes and other payroll deductions payable	(62)	(154)
Accrued worksite employee payroll costs	68	11
Accrued health insurance costs	(4)	(19)
Accrued workers' compensation costs	(10)	(2)
Accrued corporate payroll, commissions and other accrued liabilities	(20)	(53)
Income taxes payable/receivable	2	(19)
Total adjustments	**(46)**	**(177)**
Net cash provided by (used in) operating activities	**51**	**(70)**
Cash flows from investing activities		
Marketable securities:		
Purchases	(12)	(32)
Proceeds from maturities	12	22
Proceeds from dispositions	—	8
Property and equipment purchases	(11)	(14)
Net cash used in investing activities	**(11)**	**(16)**
Cash flows from financing activities		
Purchase of treasury stock	(37)	(45)
Dividends paid	(44)	(42)

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Client funds liability and other		(46)		2
Net cash used in financing activities		**(127)**		**(85)**
Net decrease in cash, cash equivalents, restricted cash and funds held for clients		**(87)**		**(171)**
Cash, cash equivalents, restricted cash and funds held for clients beginning of period		1,035		1,014
Cash, cash equivalents, restricted cash and funds held for clients end of period	**$**	**948**	**$**	**843**
Supplemental cash flow information:				
ROU assets obtained in exchange for lease obligations	$	7	$	5

See accompanying notes.

FINANCIAL STATEMENTS
(Unaudited)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2024 and 2023

(in millions)	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings and AOCI	Total
Balance at December 31, 2023	**55**	**$ 1**	**$ 185**	**$ (831)**	**$ 739**	**$ 94**
Purchase of treasury stock, at cost	—	—	—	(37)	—	(37)
Issuance of equity-based incentive awards and dividend equivalents	—	—	(24)	28	(4)	—
Stock-based compensation expense	—	—	29	1	—	30
Other	—	—	1	1	—	2
Dividends paid	—	—	—	—	(44)	(44)
Net income	—	—	—	—	97	97
Balance at June 30, 2024	**55**	**$ 1**	**$ 191**	**$ (838)**	**$ 788**	**$ 142**
Balance at December 31, 2022	**55**	**$ 1**	**$ 151**	**$ (726)**	**$ 655**	**$ 81**
Purchase of treasury stock, at cost	—	—	—	(45)	—	(45)
Issuance of equity-based incentive awards and dividend equivalents	—	—	(21)	25	(4)	—
Stock-based compensation expense	—	—	26	—	—	26
Other	—	—	2	1	1	4
Dividends paid	—	—	—	—	(42)	(42)
Net income	—	—	—	—	107	107
Balance at June 30, 2023	**55**	**$ 1**	**$ 158**	**$ (745)**	**$ 717**	**$ 131**

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FINANCIAL STATEMENTS
(Unaudited)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
For the Three Months Ended March 31, 2024 June 30, 2024 and 2023

(in millions)	(in millions)	Common Stock Issued Shares	Retained Earnings and AOCI	Total	Common Stock Issued Shares	Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings and AOCI	Total	Common Stock Issued	Additional Paid-In Capital	Treasury Stock	Retained Earnings and AOCI	Total
Balance at December 31, 2023															
Balance at December 31, 2023															
Balance at December 31, 2023															
Balance at March 31, 2024															
Balance at March 31, 2024															
Balance at March 31, 2024															
Purchase of treasury stock, at cost															
Issuance of equity-based incentive awards and dividend equivalents															
Stock-based compensation expense															
Other															
Dividends paid															
Net income															
Net income															
Net income															
Balance at March 31, 2024															
Balance at June 30, 2024															
Balance at December 31, 2022															
Balance at December 31, 2022															
Balance at December 31, 2022															
Balance at March 31, 2023															
Balance at March 31, 2023															
Balance at March 31, 2023															
Purchase of treasury stock, at cost															
Issuance of equity-based incentive awards and dividend equivalents															
Stock-based compensation expense															
Other															
Dividends paid															
Net income															
Net income															

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Net income
Balance at March 31, 2023
Balance at June 30, 2023

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Insperity, Inc., a Delaware corporation ("Insperity," "we," "our," and "us"), provides an array of human resources ("HR") and business solutions designed to help improve business performance. Our most comprehensive HR services offerings are provided through our professional employer organization ("PEO") services, known as our Workforce Optimization® and Workforce Synchronization™ solutions (together, our "PEO HR Outsourcing Solutions"), which we provide by entering into a co-employment relationship with our clients. Our PEO HR Outsourcing Solutions encompass a broad range of HR functions, including payroll and employment administration, employee benefits, workers' compensation, government compliance, performance management, and training and development services, along with our cloud-based human capital management solution, the Insperity Premier™ platform.

In addition to our PEO HR Outsourcing Solutions, we offer a comprehensive traditional payroll and human capital management solution, known as our Workforce Acceleration™ solution (our "Traditional Payroll Solution"). We also offer a number of other business performance solutions, including Recruiting Services, Employment Screening, Retirement Services, and Insurance Services. These other products or services are offered separately or with our other solutions.

The Consolidated Financial Statements include the accounts of Insperity, Inc. and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The accompanying Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements at and for the year ended December 31, 2023. Our Condensed Consolidated Balance Sheet at December 31, 2023 has been derived from the audited financial statements at that date, but does not include all of the information or footnotes required by GAAP for complete financial statements. Our Condensed Consolidated Balance Sheet at March 31, 2024 June 30, 2024 and our Consolidated Statements of Income for the three and six month periods ended March 31, 2024 June 30, 2024 and 2023, our Consolidated Statements of Cash Flows for the three six month periods ended March 31, 2024 June 30, 2024 and 2023 and our Consolidated Statements of Stockholders' Equity for the three and six month periods ended March 31, 2024 June 30, 2024 and 2023, have been prepared by us without audit. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows have been made, and all such adjustments are of a normal recurring nature.

The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

2. Accounting Policies

Health Insurance Costs

We provide group health insurance coverage under a single-employer plan that covers both our WSEEs in our PEO HR Outsourcing Solutions and our corporate employees and utilizes a national network of carriers, including UnitedHealthcare ("United"), UnitedHealthcare of California, Kaiser Permanente, Blue Shield of California, HMSA BlueCross BlueShield of Hawaii, and Harvard Pilgrim Health Care, formerly known as Tufts, all of which provide fully insured policies or service contracts.

Approximately 87% of our costs related to health insurance coverage are provided under our policy with United. While the policy with United is a fully insured plan, as a result of certain contractual terms, we have accounted for this plan since its inception using a partially self-funded insurance accounting model. Effective January 1, 2020, under the amended agreement with United, we no longer have financial responsibilities for a participant's annual claim costs that exceed $1 million ("Individual Claims Limit"). Accordingly, we record the cost of the United plan, including an estimate of the incurred claims, taxes and administrative fees (collectively the "Plan Costs"), as benefits expense, which is a component of direct costs, in our Consolidated Statements of Income. The estimated incurred but not reported claims are based upon: (1) the level of claims processed during each quarter; (2) estimated completion rates based upon recent claim development

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

patterns under the plan; and (3) the number of participants in the plan, including both active and COBRA enrollees. Each reporting period, changes in the estimated ultimate costs resulting from claim trends, plan design and migration, participant demographics, and other factors are incorporated into the benefits costs, which requires a significant level of judgment.

Additionally, since the plan's inception, under the terms of the contract, United establishes cash funding rates 90 days in advance of the beginning of a reporting quarter. If the Plan Costs for a reporting quarter are greater than the premiums paid and owed to United, a deficit in the plan would be incurred and a liability for the excess costs would be accrued in our Condensed Consolidated Balance Sheets. On the other hand, if the Plan Costs for the reporting quarter are less than the premiums paid and owed to United, a surplus in the plan would be incurred and we would record an asset for the excess premiums in our Condensed Consolidated Balance Sheets. The terms of the arrangement require us to maintain an accumulated cash surplus in the plan of $9 million, which is reported as long-term prepaid health insurance. In addition, United requires a deposit equal to approximately one day of claims funding activity, which was $7 million at March 31, 2024 June 30, 2024, and is included in deposits - health insurance as a long-term asset on our Condensed Consolidated Balance Sheets. As of March 31, 2024 June 30, 2024, Plan Costs were less than the net premiums paid and owed to United by $33 million $27 million. As this amount is in excess of the agreed-upon $9 million surplus maintenance level, the $24 million $18 million difference is included in prepaid insurance, a current asset, in our Condensed Consolidated Balance Sheets. The premiums, including the additional quarterly premiums, owed to United at March 31, 2024 June 30, 2024 were $63 million $35 million, which is included in accrued health insurance costs, a current liability in our Condensed Consolidated Balance Sheets. Our benefits costs incurred in the first three six months of 2024 included a decrease of $18 million $26 million for changes in estimated run-off related to prior periods, net of Individual Claims Limit. Our benefits costs incurred in the first three six months of 2023 included a decrease of $9 million $10 million for changes in estimated run-off related to prior periods. periods, net of Individual Claims Limit.

Workers' Compensation Costs

Our workers' compensation coverage for our WSEEs in our PEO HR Outsourcing Solutions has been provided through an arrangement with the Chubb Group of Insurance Companies or its predecessors (the "Chubb Program") since 2007. The Chubb Program is fully insured in that Chubb has the responsibility to pay all claims incurred under the policy regardless of whether we satisfy our responsibilities. Under the Chubb Program, for claims incurred on or before September 30, 2019, we have financial responsibility to Chubb for the first $1 million layer of claims per occurrence and, for claims over $1 million, up to a maximum aggregate amount of $6 million per policy year for claims that exceed $1 million. Chubb bears the financial responsibility for all claims in excess of these levels. Effective for claims incurred on or after October 1, 2019, we have financial responsibility to Chubb for the first $1.5 million layer of claims per occurrence and, for claims over $1.5 million, up to a maximum aggregate amount of $6 million per policy year for claims that exceed $1.5 million.

Because we bear the financial responsibility for claims up to the levels noted above, such claims, which are the primary component of our workers' compensation costs, are recorded in the period incurred. Workers' compensation insurance includes ongoing health care and indemnity coverage whereby claims are paid over numerous years following the date of injury. Accordingly, the accrual of related incurred costs in each reporting period includes estimates, which take into account the ongoing development of claims and therefore requires a significant level of judgment.

We utilize a third-party actuary to estimate our loss development rate, which is primarily based upon the nature of WSEEs' job responsibilities, the location of WSEEs, the historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. Each reporting period, changes in the actuarial assumptions resulting from changes in actual claims experience and other trends are incorporated into our workers' compensation claims cost estimates. During the three six months ended March 31, 2024 June 30, 2024 and 2023, we reduced accrued workers' compensation costs by $9 million $17 million and $8 million $15 million, respectively, for changes in estimated losses related to prior periods. Workers' compensation cost estimates are discounted to present value at a rate based upon the U.S. Treasury rates that correspond with the weighted average estimated claim payout period (the average discount rate utilized in the 2024 period was 4.5% and in the 2023 period was 4.0%) and are accreted over the estimated claim payment period and included as a component of direct costs in our Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides the activity and balances related to incurred but not paid workers' compensation claims:

	Three Months Ended March 31,	Six Months Ended June 30,

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(in millions)	*(in millions)* 2024	2023	*(in millions)* 2024	2023
Beginning balance, January 1,				
Beginning balance, January 1,				
Beginning balance, January 1,				
Accrued claims				
Present value discount, net of accretion				
Paid claims				
Ending balance				
Current portion of accrued claims				
Current portion of accrued claims				
Current portion of accrued claims				
Long-term portion of accrued claims				
Total accrued claims				

The current portion of accrued workers' compensation costs on our Condensed Consolidated Balance Sheets at March 31, 2024 June 30, 2024 and 2023 includes $4 million in both periods $2 million and $3 million, respectively, of workers' compensation administrative fees.

The undiscounted accrued workers' compensation costs were $247 million $244 million as of March 31, 2024 June 30, 2024 and $253 million as of March 31, 2023 June 30, 2023.

At the beginning of each policy period, the workers' compensation insurance carrier establishes monthly funding requirements comprised of premium costs and funds to be set aside for payment of future claims ("claim funds"). The level of claim funds is primarily based upon anticipated WSEE payroll levels and expected workers' compensation loss rates, as determined by the insurance carrier. Monies funded into the program for incurred claims expected to be paid within one year are recorded as restricted cash, a short-term asset, while the remainder of claim funds are included in deposits – workers' compensation, a long-term asset in our Condensed Consolidated Balance Sheets. At March 31, 2024 June 30, 2024, we had restricted cash of $61 million $64 million and deposits – workers' compensation of $204 million $170 million.

Our estimate of incurred claim costs expected to be paid within one year is included in short-term liabilities, while our estimate of incurred claim costs expected to be paid beyond one year is included in long-term liabilities on our Condensed Consolidated Balance Sheets.

Revenues

We enter into contracts with our customers for human resources services based on a stated rate and price in the contract. Our contracts generally establish pricing for a period of 12 months and are generally cancellable at any time by either party with 30-days' notice. Our performance obligations are satisfied as services are rendered each month. The term between invoicing and when our performance obligations are satisfied is not significant. Our payment terms typically require payment concurrently with the invoicing of our PEO services. We do not have significant financing components or significant payment terms.

Our revenue is generally recognized ratably over the payroll period as WSEEs perform their service at the client worksite in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. Customers are invoiced concurrently with each periodic payroll of its WSEEs. Revenues that have been recognized but not invoiced represent unbilled accounts receivable of $712 million $727 million and $669 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and are included in accounts receivable, net on our Condensed Consolidated Balance Sheets.

Pursuant to the "practical expedients" provided under ASC 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, we expense sales commissions when incurred because the terms of our contracts are cancellable by either party with a 30-day notice. These costs are recorded in commissions in our Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our revenue for our PEO HR Outsourcing Solutions by geographic region and for our other products and services offerings are as follows:

	Three Months Ended March 31,	
	Three Months Ended June 30,	Six Months Ended June 30,

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(in millions)	(in millions)	2024	2023		% Change		(in millions)	2024	2023		% Change		2024	2023		% Change	
Northeast																	
Northeast																	
Northeast		$ 509	$	492	3	3 %	$ 437	$ 426			3	3 %	$ 946	$ 918		3	3 %
Southeast	Southeast	246	239	239	3	3 %	Southeast 225	221	221		2	2 %	471	460	460	2	2 %
Central	Central	324	319	319	2	2 %	Central 292	285	285		2	2 %	616	604	604	2	2 %
Southwest	Southwest	340	340	340	—	— %	Southwest 304	308	308		(1)	(1) %	644	648	648	(1)	(1) %
West	West	366	363	363	1	1 %	West 329	330	330		—	— %	695	693	693	—	— %
			1,785	1,753		2 %											
			1,587	1,570		1 %					3,372	3,323		1 %			
Other revenue	Other revenue	17	17	17	—	— %	Other revenue 18	15	15		20	20 %	35	32	32	9	9 %
Total revenue	**Total revenue**	**$1,802**	**$**	**1,770**	**2**	**2 %**	**Total revenue $ 1,605**	**$**	**1,585**		**1**	**1 %**	**$ 3,407**	**$**	**3,355**	**2**	**2 %**

Our PEO HR Outsourcing Solutions revenues are primarily derived from our gross billings, which are based on (1) the payroll cost of our WSEEs; and (2) a markup computed as a percentage of the payroll cost. The gross billings are invoiced concurrently with each periodic payroll of our WSEEs. Revenues, which exclude the payroll cost component of gross billings and therefore consist solely of the markup, are recognized ratably over the payroll period as WSEEs perform their service at the client worksite.

In determining the pricing of the markup component of our gross billings, we take into consideration our estimates of the costs directly associated with our WSEEs, including payroll taxes, benefits and workers' compensation costs, plus an acceptable gross profit margin. As a result, our operating results are significantly impacted by our ability to accurately estimate our direct costs relative to the revenues derived from the markup component of our gross billings.

Revenues are comprised of gross billings less WSEE payroll costs as follows:

		Three Months Ended March 31,						
				Three Months Ended June 30,		Six Months Ended June 30,		
(in millions)	(in millions)	2024	2023	(in millions)	2024	2023	2024	2023
Gross billings								
Gross billings								
Gross billings								
Less: WSEE payroll cost								
Revenues								

3. Other Balance Sheet Information

Cash, Cash Equivalents and Marketable Securities

The following table summarizes our cash and investments in cash equivalents and marketable securities held by investment managers and overnight investments:

		March 31, 2024			December 31, 2023							
		June 30, 2024			December 31, 2023							
(in millions)	(in millions)	Cash & Cash Equivalents	Marketable Securities	Total	Cash & Cash Equivalents	Marketable Securities	Total	(in millions)	Cash & Cash Equivalents	Marketable Securities	Total	Cash & Cash Equivalents	Marketable Securities	Total
Overnight holdings														
Overnight holdings														
Overnight holdings														
Investment holdings														
	474													
	678													
Cash in demand accounts														
Outstanding checks														

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Total

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our cash and overnight holdings fluctuate based on the timing of clients' payroll processing cycles. Our cash, cash equivalents and marketable securities at March 31, 2024 June 30, 2024 and December 31, 2023 included $443 $459 million and $510 million, respectively, of funds associated with federal and state income tax withholdings, employment taxes, and other payroll deductions, as well as $34 $22 million and $28 million, respectively, in client prepayments. At June 30, 2024, our cash, cash equivalents and marketable securities included $97 million of funds we received in late June 2024 from the Internal Revenue Service related to employee retention tax credits claimed by our PEO clients under the COVID relief programs, that were distributed to clients in early July 2024.

Cash, Cash Equivalents, Restricted Cash and Funds Held for Clients

The following table summarizes our cash, cash equivalents, restricted cash, and funds held for clients, and deposits - workers' compensation as reported in our Consolidated Statements of Cash Flows:

		Three Months Ended March 31,			Six Months Ended June 30,	
(in millions)	*(in millions)*	2024	2023	*(in millions)*	2024	2023
Supplemental schedule of cash and cash equivalents, restricted cash and funds held for clients						
Supplemental schedule of cash and cash equivalents, restricted cash and funds held for clients						
Supplemental schedule of cash and cash equivalents, restricted cash and funds held for clients						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Restricted cash						
Other current assets – funds held for clients(1)						
Deposits – workers' compensation						
Cash, cash equivalents, restricted cash and funds held for clients beginning of period						
Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents						
Restricted cash						
Other current assets – funds held for clients(1)						
Deposits – workers' compensation						
Cash, cash equivalents, restricted cash and funds held for clients end of period						

(1) Funds held for clients represent amounts held on behalf of our Traditional Payroll Solution customers that are restricted for the purpose of satisfying obligations to remit funds to clients' employees and various tax authorities.

Please read Note 2. "Accounting Policies," for a discussion of our accounting policies for deposits – workers' compensation and restricted cash.

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Payroll Taxes and Other Payroll Deductions Payable

As a co-employer, we generally assume responsibility for the withholding and remittance of federal and state payroll taxes and other payroll deductions with respect to wages and salaries paid to our WSEEs. As of June 30, 2024 and December 31, 2023, payroll taxes and other payroll deductions payable were $504 million and $566 million, respectively. The balance at June 30, 2024 includes $97 million of funds we received in late June 2024 from the Internal Revenue Service related to employee retention tax credits claimed by our PEO clients under the COVID relief programs, that were distributed to clients in early July 2024.

4. Fair Value Measurements

We account for our financial assets in accordance with ASC 820, *Fair Value Measurement*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value measurement disclosures are grouped into three levels based on valuation factors:

- Level 1 - quoted prices in active markets using identical assets

- Level 2 - significant other observable inputs, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs
- Level 3 - significant unobservable inputs

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Instruments Measured and Recognized at Fair Value

The following table summarizes the levels of fair value measurements of our financial assets:

	March 31, 2024			December 31, 2023		
	June 30, 2024			December 31, 2023		
(in millions)	Total	Level 1	Level 2	Total	Level 1	Level 2
Money market funds						
Money market funds						
Money market funds						
U.S. Treasury bills						
	490					
	490					
	490					
	694					
	694					
	694					
Deposits - money market funds						
Total						

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Please read Note 3. "Other Balance Sheet Information," for additional information.

Our valuation techniques used to measure fair value for these securities during the period consisted primarily of third-party pricing services that utilized actual market data such as trades of comparable bond issues, broker/dealer quotations for the same or similar investments in active markets and other observable inputs.

The following is a summary of our available-for-sale marketable securities:

(in millions)	*(in millions)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	*(in millions)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
March 31, 2024										
March 31, 2024										
March 31, 2024										
June 30, 2024										
June 30, 2024										
June 30, 2024										
U.S. Treasury bills										
U.S. Treasury bills										
U.S. Treasury bills										
December 31, 2023										
December 31, 2023										
December 31, 2023										
U.S. Treasury bills										
U.S. Treasury bills										
U.S. Treasury bills										

As of March 31, 2024 June 30, 2024, the contractual maturities of all marketable securities in our portfolio were less than one year.

Fair Value of Other Financial Instruments

The carrying amounts of cash, cash equivalents, restricted cash, accounts receivable, deposits and accounts payable approximate their fair values due to the short-term maturities of these instruments.

As of March 31, 2024 June 30, 2024, the carrying value of borrowings under our revolving credit facility approximates fair value and was classified as Level 2 in the fair value hierarchy. Please read Note 5, "Long-Term Debt," for additional information.

5. Long-Term Debt

We have a revolving credit facility (the "Facility") with a borrowing capacity of up to $650 million. The Facility may be further increased to $700 million based on the terms and subject to the conditions set forth in the agreement relating to the Facility (as amended, the "Credit Agreement"). The Facility is available for working capital and general corporate purposes, including acquisitions, stock repurchases and issuances of letters of credit. Our obligations under the Facility are secured by 100% of the stock of our captive insurance subsidiary and are guaranteed by all of our subsidiaries other than our captive insurance subsidiary and certain other excluded subsidiaries. At March 31, 2024 June 30, 2024, our outstanding balance on the Facility was $369 million, and we had an outstanding $1 million letter of credit issued under the Facility, resulting in an available borrowing capacity of $280 million.

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The Facility matures on June 30, 2027. Borrowings under the Facility bear interest at an annual rate equal to an alternate base rate or Adjusted Term SOFR for term SOFR loans, in either case plus an applicable margin. Adjusted Term SOFR is a forward-looking term rate based on the secured overnight financing rate plus a spread adjustment, which ranges from 0.10% to 0.25% depending on the interest period and type of loan. Depending on our leverage ratio, the applicable margin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

varies (1) in the case of SOFR loans, from 1.50% to 2.25% and (2) in the case of alternate base rate loans, from 0.00% to 0.50%. The alternate base rate is the highest of (1) the prime rate most recently published in The Wall Street Journal, (2) the federal funds rate plus 0.50%; and (3) the Adjusted Term SOFR rate plus 2.00%. We also pay an unused commitment fee on the average daily unused portion of the Facility at a rate of 0.25% per year. The average interest rate for the three six month period ended March 31, 2024 June 30, 2024 was 7.2%. Interest expense and unused commitment fees are recorded in other income (expense).

The Facility contains both affirmative and negative covenants that we believe are customary for arrangements of this nature. Covenants include, but are not limited to, limitations on our ability to incur additional indebtedness, sell material assets, retire, redeem or otherwise reacquire our capital stock, acquire the capital stock or assets of another business, make investments and pay dividends. In addition, the Credit Agreement requires us to comply with financial covenants limiting our total funded debt, minimum interest coverage ratio, and maximum leverage ratio. We were in compliance with all financial covenants under the Credit Agreement at March 31, 2024 June 30, 2024.

6. Stockholders' Equity

During the three six months ended March 31, 2024 June 30, 2024, we repurchased or withheld an aggregate of 232,891 383,790 shares of our common stock, as described below.

Repurchase Program

Our Board of Directors (the "Board") has authorized a program to repurchase shares of our outstanding common stock ("Repurchase Program"). The purchases may be made from time to time in the open market or directly from stockholders at prevailing market prices based on market conditions and other factors. During the three six months ended March 31, 2024 June 30, 2024, 53,744 203,744 shares were repurchased under the Repurchase Program. As of March 31, 2024 June 30, 2024, we were authorized to repurchase an additional 1,915,818 1,765,818 shares under the Repurchase Program.

Withheld Shares

During the three six months ended March 31, 2024 June 30, 2024, we withheld 179,147 180,046 shares to satisfy tax withholding obligations for the vesting of long-term incentive and restricted stock unit awards.

Dividends

The Board declared and paid quarterly dividends as follows:

(amounts per share)	*(amounts per share)* 2024	2023	*(amounts per share)* 2024	2023
First quarter				
First quarter				
First quarter				
Second quarter				

During the three six months ended March 31, 2024 June 30, 2024 and 2023, we declared and paid dividends totaling $21 million $44 million and $20 million $42 million, respectively.

7. Earnings Per Share

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, plus the dilutive effect of time-vested and performance-based restricted stock units ("RSUs").

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the net income and the basic and diluted shares used in the earnings per share computations:

		Three Months Ended March 31,						
		Three Months Ended June 30,					Six Months Ended June 30,	
(in millions)	*(in millions)*	2024	2023	*(in millions)*	2024	2023	2024	2023
Net income								
Net income								
Net income								
Weighted average common shares outstanding								
Weighted average common shares outstanding								
Weighted average common shares outstanding								
Incremental shares from assumed time-vested and performance-based RSU awards								
Adjusted weighted average common shares outstanding								

An insignificant number of shares of time-vested and performance-based RSU awards were excluded from the calculation of diluted earnings per share due to anti-dilution during each of the three months and six month periods ended March 31, 2024 June 30, 2024 and 2023, respectively.

8. Commitments and Contingencies

Litigation

We are a defendant in various lawsuits and claims arising in the normal course of business. Management believes it has valid defenses in these cases and is defending them vigorously. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a material adverse effect on our financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

You should read the following discussion in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023, as well as our Consolidated Financial Statements and notes thereto included in this Quarterly Report on Form 10-Q.

Executive Summary

Overview

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Insperity, Inc. (“Insperity,” “we,” “our,” and “us”) provides an array of human resources (“HR”) and business solutions designed to help improve business performance. Our most comprehensive HR services offerings are provided through our professional employer organization (“PEO”) services, known as our Workforce Optimization® and Workforce Synchronization™ solutions (together, our “PEO HR Outsourcing Solutions”), which we provide by entering into a co-employment relationship with our clients. Our PEO HR Outsourcing Solutions encompass a broad range of HR functions, including payroll and employment administration, employee benefits, workers’ compensation, government compliance, performance management, and training and development services, along with our cloud-based human capital management solution, the Insperity Premier™ platform.

2024 Highlights

First Second Quarter 2024 Compared to First Second Quarter 2023

- Average number of WSEEs paid per month decreased 1%
- Net income and diluted earnings per share (“diluted EPS”) increased 50% and 45% to $18 million and $0.48, respectively
- Adjusted EPS increased 34% to $0.86
- Adjusted EBITDA increased 29% to $66 million

First Six Months 2024 Compared to First Six Months 2023

- Average number of WSEEs paid per month decreased 17% 1%
- Net income and 15% diluted EPS decreased 9% and 8% to $79 million $97 million and $2.08, $2.56, respectively
- Adjusted EPS decreased 15% 5% to $2.27 $3.13
- Adjusted EBITDA decreased 7% increased 2% to $142 million $208 million

Please read “Non-GAAP Financial Measures” for a reconciliation of adjusted EBITDA and adjusted EPS to their most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States (“GAAP”).

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Key Financial and Statistical Data

(in millions, except per share, WSEE and statistical data)	*(in millions, except per share, WSEE and statistical data)*	Three Months Ended March 31,			*(in millions, except per share, WSEE and statistical data)*	Three Months Ended June 30,			Six Months Ended June 30,		
		2024	2023	% Change		2024	2023	% Change	2024	2023	% Change
Financial data:											
Financial data:											
Financial data:											
Revenues											
Revenues											
Revenues		$ 1,802	$ 1,770	2 2 %		$ 1,605	$ 1,585	1 1 %	$ 3,407	$ 3,355	2 2 %
Gross profit	Gross profit	345	332 332	4 4 %	Gross profit	260	225 225	16 16 %	605	557 557	9 9 %

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Operating expenses	Operating expenses	237	211	211	12	12 %	Operating expenses	237	209	209	13	13 %	474	420	420	13	13 %
Operating income	Operating income	108	121	121	(11)	(11)%	Operating income	23	16	16	44	44 %	131	137	137	(4)	(4)%
Other income (expense), net	Other income (expense), net	3	3	3	—	— %	Other income (expense), net	2	—	—	—	— %	5	3	3	67	67 %
Net income	Net income	79	95	95	(17)	(17)%	Net income	18	12	12	50	50 %	97	107	107	(9)	(9)%
Diluted EPS	Diluted EPS	2.08	2.45	2.45	(15)	(15)%	Diluted EPS	0.48	0.33	0.33	45	45 %	2.56	2.78	2.78	(8)	(8)%

Non-GAAP financial measures(1):

Non-GAAP financial measures(1):

Non-GAAP financial measures(1):

Adjusted net income

Adjusted net income

Adjusted net income		$ 86	$	103	(17)	(17)%	$	33	$	25	32	32 %	$ 119	$	128	(7)	(7) %
Adjusted EBITDA	Adjusted EBITDA	142	152	152	(7)	(7)%	Adjusted EBITDA	66	51	51	29	29 %	208	203	203	2	2 %
Adjusted EPS	Adjusted EPS	2.27	2.67	2.67	(15)	(15)%	Adjusted EPS	0.86	0.64	0.64	34	34 %	3.13	3.30	3.30	(5)	(5)%

Average WSEEs paid

Average WSEEs paid

Average WSEEs paid	303,904	306,691	306,691	(1)	(1)%	306,958	311,304	311,304	(1)	(1) %	305,431	308,998	308,998	(1)	(1) %

Statistical data *(per WSEE per month)*:

Statistical data *(per WSEE per month)*:

Statistical data *(per WSEE per month)*:

Revenues(2)

Revenues(2)

Revenues(2)		$ 1,977	$	1,924	3	3 %	$	1,743	$	1,697	3	3 %	$ 1,859	$	1,809	3	3 %
Gross profit	Gross profit	378	361	361	5	5 %	Gross profit	282	241	241	17	17 %	330	300	300	10	10 %
Operating expenses	Operating expenses	260	229	229	14	14 %	Operating expenses	257	224	224	15	15 %	259	226	226	15	15 %
Operating income	Operating income	118	132	132	(11)	(11)%	Operating income	25	17	17	47	47 %	71	74	74	(4)	(4)%
Net income	Net income	87	103	103	(16)	(16)%	Net income	20	14	14	43	43 %	53	58	58	(9)	(9)%

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(1) Please read "Non-GAAP Financial Measures" for a reconciliation of the non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with GAAP.

(2) Revenues per WSEE per month are comprised of gross billings per WSEE per month less WSEE payroll costs per WSEE per month as follows:

		Three Months Ended March 31,						
				Three Months Ended June 30,			Six Months Ended June 30,	
(per WSEE per month)	*(per WSEE per month)*	2024	2023	*(per WSEE per month)*	2024	2023	2024	2023
Gross billings								
Less: WSEE payroll cost								
Revenues								

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key Operating Metrics

We monitor certain key metrics to measure our performance, including:

- WSEEs
- Adjusted EBITDA
- Adjusted EPS

Our growth in the number of WSEEs paid is affected by three primary sources: new client sales, client retention and the net change in WSEEs paid at existing clients through new hires and employee terminations.

- During Q1 Q2 2024, average WSEEs paid decreased 1% compared to Q1 Q2 2023. The number of WSEEs paid from new client sales remained consistent compared to Q1 with Q2 2023, while client retention and the net gain in our client base and client retention declined compared to Q1 Q2 2023.

- During the first six months of 2024 ("YTD 2024"), average WSEEs paid decreased 1% compared to the first six months of 2023 ("YTD 2023"). The number of WSEEs paid from new client sales remained consistent with YTD 2023, while the net gain in our client base and client retention declined when compared to YTD 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Average WSEEs Paid and
Year-over-Year Growth Percentage

60

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Adjusted EBITDA and
Year-over-Year Growth Percentage
(in millions)

65

Adjusted EPS and
Year-over-Year Growth Percentage
(amounts per share)

70

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues

Our PEO HR Outsourcing Solutions revenues are primarily derived from our gross billings, which are based on (1) the payroll cost of our WSEEs and (2) a monthly markup component.

Our revenues are primarily dependent on the number of clients enrolled, the resulting number of WSEEs paid each period and the number of WSEEs enrolled in our benefit plans. Because our monthly markup is computed in part as a percentage of payroll cost, certain revenues are also affected by the payroll cost of WSEEs, which may fluctuate based on the composition of the WSEE base, inflationary effects on wage levels and differences in the local economies of our markets.

Revenue and
Year-over-Year Growth Percentage
(in millions)

715

Second Quarter 2024 Compared to Second Quarter 2023

Our revenues for Q2 2024 were $1.6 billion, an increase of 1%, primarily due to the following:

- Revenues per WSEE per month increased 3%, or $46, partially offset by a 1% decrease in average WSEEs paid.

First Six Months 2024 Compared to First Six Months 2023

Our revenues for YTD 2024 were $3.4 billion, an increase of 2%, primarily due to the following:

- Revenues per WSEE per month increased 3%, or $50, partially offset by a 1% decrease in average WSEEs paid.

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Revenue and
Year-over-Year Growth Percentage
(in millions)
715

First Quarter 2024 Compared to First Quarter 2023

Our revenues for Q1 2024 were $1.8 billion, an increase of 2%, primarily due to the following:

- Revenues per WSEE per month increased 3%, or $53.

We provide our PEO HR Outsourcing Solutions to small and medium-sized businesses throughout the United States. Our PEO HR Outsourcing Solutions revenue distribution by region follows:

PEO HR Outsourcing Solutions Revenue by Region
(in millions)
249 252

(1) The Southwest region includes Texas.

The percentage of total PEO HR Outsourcing Solutions revenue in our significant markets includes the following:

Significant Markets
488 492

The middle market sector, which we generally define as those companies with approximately 150 to 5,000 WSEEs, includes smaller clients whose number of WSEEs has grown to approximately 150 or more WSEEs. Currently, we have a dedicated sales management, service personnel, and consulting staff who concentrate solely on the middle market sector. Our average number of WSEEs per month in our middle market sector decreased 4% during Q1 YTD 2024 compared to Q1 YTD 2023, representing approximately 25% and 26% of our total average paid WSEEs during Q1 YTD 2024 and Q1 YTD 2023, respectively.

Gross Profit

In determining the pricing of the markup component of our gross billings, we take into consideration our estimates of the costs directly associated with our WSEEs, including payroll taxes, benefits and workers' compensation costs, plus an acceptable gross profit margin. As a result, our operating results are significantly impacted by our ability to accurately estimate our direct costs relative to the revenues derived from the markup component of our gross billings.

Our gross profit per WSEE is primarily determined by our ability to accurately estimate direct costs and our ability to incorporate changes in these costs into the gross billings charged to PEO HR Outsourcing Solutions clients, which are subject to pricing arrangements that are typically renewed annually. We use gross profit per WSEE per month as our principal measurement of relative performance at the gross profit level.

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First Quarter 2024 Compared to First Quarter 2023

Gross Profit and
Year-over-Year Growth Percentage
(in millions)

7

Gross Profit per WSEE per Month and
Year-over-Year Growth Percentage

12

First Second Quarter 2024 Compared to First Second Quarter 2023

Gross profit for Q1 Q2 2024 increased 4% 16% to $345 million $260 million compared to $332 million $225 million in Q1 Q2 2023. Gross profit per WSEE per month for Q1 Q2 2024 increased $17 $41 to $378 $282 compared to $361 $241 in Q1 Q2 2023 due primarily to higher average pricing offset in part by higher and lower direct costs, as discussed below.

Our pricing objectives attempt to achieve a level of revenue per WSEE that matches or exceeds changes in primary direct costs and operating expenses. Our revenues per WSEE per month increased $53 $46 due to higher average pricing of 3%.

The net decrease in direct costs between Q1 Q2 2024 and Q1 Q2 2023 attributable to the changes in cost estimates for benefits and workers' compensation totaled $10 million $25 million as discussed below. The $36 $5 per WSEE per month increase in direct costs is due primarily to the direct cost components changes as follows:

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is due primarily to the direct cost component changes as follows:

Benefits costs

- The cost of group health insurance and related employee benefits increased $20 decreased $18 per WSEE per month and increased 4.6% decreased 0.4% on a cost per covered employee basis in Q1 Q2 2024 as compared to Q1 Q2 2023. We did not experience the number and severity of large claims in Q2 2024 as compared to Q2 2023.
- The percentage of WSEEs covered under our health insurance plans was 64% in Q1 Q2 2024 compared to 65% in Q1 Q2 2023.
- Reported results include changes in estimated claims run-off related to prior periods, which was a reduction in costs of $18 million $25 million, or $20 $27 per WSEE per month, in Q1 Q2 2024 compared to a decrease an increase in costs of $9 million $1 million, or $10 $1 per WSEE per month, in Q1 Q2 2023.

Please read Note 2 to the Consolidated Financial Statements, "Accounting Policies – Health Insurance Costs," for a discussion of our accounting for health insurance costs.

Workers' compensation costs

Our continued discipline around our client selection, workplace safety and claims management contributed to the small increase in our cost per WSEE and, as a result, has allowed for claims within our policy periods to be closed out at amounts below our original cost estimates.

- Workers' compensation costs decreased $2 increased $1 per WSEE per month in Q1 Q2 2024 compared to Q1 Q2 2023 while non-bonus payroll costs increased 2% 1%.

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- As a percentage of non-bonus payroll cost, workers' compensation costs were 0.22% 0.23% in Q1 both Q2 2024 and 0.25% in Q1 Q2 2023.
- We recorded a reduction in workers' compensation costs of $9 million $7 million, or 0.11% 0.09% of non-bonus payroll costs in Q1 Q2 2024, as a result of closing out claims at lower than expected costs. In Q1 Q2 2023, we recorded a reduction of $8 million, or 0.10% of non-bonus payroll costs.

Please read Note 2 to the Consolidated Financial Statements, "Accounting Policies – Workers' Compensation Costs," for a discussion of our accounting for workers' compensation costs.

Payroll tax costs

- Payroll taxes increased 1% 2%, or $18 $20 per WSEE per month, while payroll costs remained flat.
- Payroll taxes as a percentage of payroll costs were 8% 7% in both Q1 Q2 2024 and Q1 Q2 2023.

First Six Months 2024 Compared to First Six Months 2023

Gross profit for YTD 2024 increased 9% to $605 million compared to $557 million in YTD 2023. Gross profit per WSEE per month for YTD 2024 increased $30 to $330 compared to $300 in YTD 2023 due primarily to higher average pricing, offset in part by higher direct costs, as discussed below.

Our pricing objectives attempt to achieve a level of revenue per WSEE that matches or exceeds changes in primary direct costs and operating expenses. Our revenues per WSEE per month increased $50 due to higher average pricing of 3%.

The net decrease in direct costs between YTD 2024 and YTD 2023 attributable to the changes in cost estimates for benefits and workers' compensation totaled $18 million as discussed below. The $20 per WSEE per month increase in direct costs is due primarily to the direct cost component changes as follows:

Benefits costs

- The cost of group health insurance and related employee benefits increased $1 per WSEE per month, or 1.9% on a cost per covered employee basis. We did not experience the number and severity of large claims in YTD 2024 as compared to YTD 2023.

- The percentage of WSEEs covered under our health insurance plans was 64% in YTD 2024 compared to 65% in YTD 2023.
- Reported results include changes in estimated claims run-off related to prior periods, which was a decrease in costs of $26 million, or $14 per WSEE per month, in YTD 2024 compared to a decrease in costs of $10 million, or $5 per WSEE per month, in YTD 2023.

Please read Note 2 to the Consolidated Financial Statements, "Accounting Policies – Health Insurance Costs," for a discussion of our accounting for health insurance costs.

Workers' compensation costs

Our continued discipline around our client selection, workplace safety and claims management has allowed for claims within our policy periods to be closed out at amounts below our original cost estimates.

- Workers' compensation costs decreased 5%, or $1 per WSEE per month, in YTD 2024 compared to YTD 2023.
- As a percentage of non-bonus payroll cost, workers' compensation costs were 0.23% in YTD 2024 and 0.24% in YTD 2023.
- We recorded a reduction in workers' compensation costs of $17 million, or 0.11% of non-bonus payroll costs, in YTD 2024 compared to a reduction of $15 million, or 0.10% of non-bonus payroll costs, in YTD 2023, primarily as a result of closing out claims at lower than expected costs.

Please read Note 2 to the Consolidated Financial Statements, "Accounting Policies – Workers' Compensation Costs," for a discussion of our accounting for health insurance costs.

Payroll tax costs

- Payroll taxes increased 2% on a 1% increase in payroll costs, or $19 per WSEE per month.
- Payroll taxes as a percentage of payroll costs was 7% in both YTD 2024 and YTD 2023.

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Operating Expenses

- Salaries, wages and payroll taxes — Salaries, wages and payroll taxes ("Salaries") are primarily a function of the number of corporate employees, their associated average pay and any additional cash incentive compensation.
- Stock-based compensation — Our stock-based compensation relates to the recognition of non-cash compensation expense over the requisite service period of time-vested and performance-based awards.
- Commissions — Commissions expense consists primarily of amounts paid to sales managers and other sales personnel, including business performance advisors ("BPAs"), as well as channel referral fees. Commissions are based on new accounts sold and a percentage of revenue generated by such personnel.
- Advertising — Advertising expense primarily consists of media advertising and other business promotions in our current and anticipated sales markets.
- General and administrative expenses — Our general and administrative expenses primarily include:
    - rent expenses related to our service centers and sales offices
    - outside professional service fees related to legal, consulting and accounting services

- administrative costs, such as postage, printing and supplies
- employee travel and training expenses
- facility costs, including repairs and maintenance

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- technology costs, including software-as-a-service ("SaaS") subscription costs, amortization of SaaS implementation costs and costs related to our strategic partnership with Workday, Inc.

- Depreciation and amortization — Depreciation and amortization expense is primarily a function of our capital investments in corporate facilities, service centers, sales offices, software development, and technology infrastructure.

First Second Quarter 2024 Compared to First Second Quarter 2023

The following table presents certain information related to our operating expenses:

			Three Months Ended March 31,							Three Months Ended June 30,					per WSEE
(in millions, except per WSEE)	*(in millions, except per WSEE)*	2024	2023	% Change	2024	2023	% Change	*(in millions, except per WSEE)*	2024	2023	% Change	2024	2023	% Change	
Salaries															

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Salaries																						
Salaries		$140	$	125	12	12 %	$154	$	136	13	13 %	$	126	$	110	15	15 %	$137	$	119	15	15 %
Stock-based compensation	Stock-based compensation	10	11	11	(9)	(9)%	11	12	12	(8)	(8)%	Stock-based compensation	20	15	15	33	33 %	22	16	16	38	38 %
Commissions	Commissions	12	11	11	9	9 %	13	12	12	8	8 %	Commissions	11	12	12	(8)	(8)%	12	13	13	(8)	(8)%
Advertising	Advertising	7	6	6	17	17 %	8	7	7	14	14 %	Advertising	12	17	17	(29)	(29)%	13	18	18	(28)	(28)%
General and administrative:																						
General and administrative:																						
General and administrative:																						
Amortization of SaaS implementation costs																						
Amortization of SaaS implementation costs																						
Amortization of SaaS implementation costs		3	1	1	200	200 %	3	1	1	200	200 %		3	2	2	50	50 %	3	1	1	200	200 %
Workday SaaS licensing and implementation expense	Workday SaaS licensing and implementation expense	4	—	—	—	— %	4	—	—	—	— %											
All other general and administrative	All other general and administrative	50	47	47	6	6 %	55	50	50	10	10 %	All other general and administrative	46	42	42	10	10 %	49	45	45	9	9 %
Total general and administrative	Total general and administrative	57	48	48	19	19 %	62	51	51	22	22 %	Total general and administrative	57	44	44	30	30 %	61	46	46	33	33 %
Depreciation and amortization																						
Depreciation and amortization																						
Depreciation and amortization		11	10	10	10	10 %	12	11	11	9	9 %											
Total operating expenses	**Total operating expenses**	**$237**	**$**	**211**	**12**	**12 %**	**$260**	**$**	**229**	**14**	**14 %**	**Total operating expenses**	**$237**	**$**	**209**	**13**	**13 %**	**$257**	**$**	**224**	**15**	**15 %**

Operating expenses for Q1 Q2 2024 increased 12% 13% to $237 million compared to $211 million $209 million in Q1 Q2 2023. Operating expenses per WSEE per month for Q1 Q2 2024 increased 14% 15% to $260 $257 compared to $229 $224 in Q1 Q2 2023.

- Salaries of corporate and sales staff for Q1 Q2 2024 increased 12% 15% to $140 million $126 million, or $18 per WSEE per month, compared to Q1 Q2 2023. The increase was primarily due to a 5% 6% increase in BPA, service and support headcount in Q1 Q2 2024 compared to Q1 Q2 2023 and higher incentive compensation accruals in Q1 Q2 2024.

- Stock-based compensation expense for Q2 2024 increased 33% to $20 million, or $6 per WSEE per month, compared to Q2 2023. The increase was primarily due to an increase in the number of stock awards anticipated to be earned related to performance-based awards granted under our long-term incentive plans based on our higher than expected operating results in Q2 2024 and time-vested restricted stock unit awards issued under our incentive plan.

- Advertising expense for Q2 2024 decreased 29% to $12 million, or $5 per WSEE per month, compared to Q2 2023 due to a change in timing of advertising spend.

- General and administrative expenses for Q1 Q2 2024 increased 19% 30% to $57 million, or $11 $15 per WSEE per month, compared to Q1 Q2 2023. The increase was primarily due to increased software licensing, maintenance costs, SaaS implementation expense, travel and training, and professional services fees.

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First Six Months 2024 Compared to First Six Months 2023

The following table presents certain information related to our operating expenses:

	Six Months Ended June 30,					
				per WSEE		
(in millions, except per WSEE)	2024	2023	% Change	2024	2023	% Change
Salaries	$ 266	$ 235	13 %	$ 145	$ 127	14 %
Stock-based compensation	30	26	15 %	16	14	14 %
Commissions	23	23	—	13	12	8 %
Advertising	19	23	(17)%	10	12	(17)%
General and administrative:						
Amortization of SaaS implementation costs	6	3	100 %	3	1	200 %
Workday SaaS licensing and implementation expense	12	—	—	7	—	—
All other general and administrative	96	89	8 %	53	49	8 %
Total general and administrative	114	92	24 %	63	50	26 %
Depreciation and amortization	22	21	5 %	12	11	9 %
Total operating expenses	**474**	**420**	**13 %**	**$ 259**	**$ 226**	**15 %**

Operating expenses for YTD 2024 increased 13% to $474 million compared to $420 million in YTD 2023. Operating expenses per WSEE per month for YTD 2024 increased 15% to $259 compared to $226 in YTD 2023.

- Salaries of corporate and sales staff for YTD 2024 increased 13% to $266 million, or $18 per WSEE per month, compared to YTD 2023. The increase was primarily due to a 6% increase in BPA, service and support headcount and staff compensation levels, and higher incentive compensation expense in YTD 2024 compared to YTD 2023.
- Stock-based compensation expense for YTD 2024 increased 15% to $30 million, or $2 per WSEE per month, compared to YTD 2023. The increase was primarily due to time-vested restricted stock unit awards issued under our incentive plan.
- Advertising expense for YTD 2024 decreased 17% to $19 million, or $2 per WSEE per month, compared to YTD 2023 due to a change in timing of advertising spend.
- General and administrative expenses for YTD 2024 increased 24% to $114 million, or $13 per WSEE per month, compared to YTD 2023. The increase was primarily due to increased professional services fees, software licensing and maintenance costs and amortization of SaaS implementation costs.
- Depreciation and amortization expense for YTD 2024 increased 5% to $22 million, or $1 per WSEE per month, compared to YTD 2023. The increase was primarily due to increased capital expenditures related to computer hardware and software and software development costs.

Income Tax Expense

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Effective income tax rate						
Effective income tax rate						
Effective income tax rate	29%	23%	28%	25%	29%	24%

For the three six months ended March 31, 2024 June 30, 2024, our provision for income taxes differed from the U.S. statutory rate primarily due to state income taxes, non-deductible expenses and vesting of restricted and long-term incentive stock awards. During the first six months of 2024 we did not recognize an income tax benefit as compared to an income tax benefit of $5 million for the first six months of 2023, related to the vesting of long-term incentive and restricted stock awards.

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During the first three months of 2024 and 2023, we recognized an income tax benefit of $0 and $5 million, respectively, related to the vesting of long-term incentive and restricted stock awards.

Non-GAAP Financial Measures

Non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of the non-GAAP financial measures used to their most directly comparable GAAP financial measures as provided in the tables below.

Non-GAAP Measure	Definition	Benefit of Non-GAAP Measure
Non-bonus payroll cost	Non-bonus payroll cost is a non-GAAP financial measure that excludes the impact of bonus payrolls paid to our WSEEs. Bonus payroll cost varies from period to period, but has no direct impact to our ultimate workers' compensation costs under the current program.	Our management refers to non-bonus payroll cost in analyzing, reporting and forecasting our workers' compensation costs. We include these non-GAAP financial measures because we believe they are useful to investors in allowing for greater transparency related to the costs incurred under our current workers' compensation program.
Adjusted cash, cash equivalents and marketable securities	Excludes funds associated with: • federal and state income tax withholdings, • employment taxes, • other payroll deductions, and • client prepayments.	We believe that the exclusion of the identified items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations, against prior periods, and to plan for future periods by focusing on our underlying operations. We believe that the adjusted results provide relevant and useful information for investors because they allow investors to view performance in a manner similar to the method used by management and improves their ability to understand and assess our operating performance. Adjusted EBITDA is used by our lenders to assess our leverage and ability to make interest payments.
EBITDA	Represents net income computed in accordance with GAAP, plus: • interest expense, • income tax expense, • depreciation and amortization expense, and • amortization of SaaS implementation costs.	
Adjusted EBITDA	Represents EBITDA plus: • non-cash stock-based compensation.	
Adjusted net income	Represents net income computed in accordance with GAAP, excluding: • non-cash stock-based compensation.	
Adjusted EPS	Represents diluted net income per share computed in accordance with GAAP, excluding: • non-cash stock-based compensation.	

Following is a reconciliation of payroll cost (GAAP) to non-bonus payroll costs (non-GAAP):

		Three Months Ended March 31,			Three Months Ended June 30,			Six Months Ended June 30,	
	2024		2023		2024		2023	2024	2023
(in millions, except per WSEE per month)	*(in millions, except per WSEE per month)*	Per WSEE	*(in millions, except per WSEE per month)*	*(in millions, except per WSEE per month)*	Per WSEE	*(in millions, except per WSEE per month)*	Per WSEE		Per WSEE
Payroll cost									
Payroll cost									
Payroll cost									
Less: Bonus payroll cost									

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Non-bonus payroll cost											
% Change period over period	% Change period over period	2 % 3 %	13 %	3 %	% Change period over period	1 % 2 %	10 % 3 %	1 %	2 %	12 %	3 %

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Following is a reconciliation of cash, cash equivalents and marketable securities (GAAP) to adjusted cash, cash equivalents and marketable securities (non-GAAP):

(in millions)	*(in millions)* March 31, 2024	December 31, 2023	*(in millions)* June 30, 2024	December 31, 2023
Cash, cash equivalents and marketable securities				
Cash, cash equivalents and marketable securities				
Cash, cash equivalents and marketable securities				
Less:				
Amounts payable for withheld federal and state income taxes, employment taxes and other payroll deductions				
Amounts payable for withheld federal and state income taxes, employment taxes and other payroll deductions				
Amounts payable for withheld federal and state income taxes, employment taxes and other payroll deductions				
Client prepayments				
Adjusted cash, cash equivalents and marketable securities				

Following is a reconciliation of net income (GAAP) to EBITDA (non-GAAP) and adjusted EBITDA (non-GAAP):

		Three Months Ended March 31,									
		Three Months Ended June 30,				Six Months Ended June 30,					
		2024	2023		2024			2023	2024	2023	
(in millions, except per WSEE per month)	*(in millions, except per WSEE per month)*		Per WSEE	*(in millions, except per WSEE per month)*	Per WSEE	*(in millions, except per WSEE per month)*	Per WSEE				Per WSEE
Net income											
Net income											
Net income											
Income tax expense											
Interest expense											

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Amortization of SaaS implementation costs														
Depreciation and amortization														
EBITDA														
Stock-based compensation														
Adjusted EBITDA														
% Change period over period	**% Change period over period**	**(7)%**	**(5)%**	**28 %**	**16 %**	**% Change period over period**	**29 %**	**33 %**	**(32)%**	**(37)%**	**2 %**	**4 %**	**5 %**	**(3)%**

Following is a reconciliation of net income (GAAP) to adjusted net income (non-GAAP):

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	*(in millions)*	2024	2023	*(in millions)*	2024	2023	2024	2023
Net income								
Net income								
Net income								
Non-GAAP adjustments:								
Stock-based compensation								
Stock-based compensation								
Stock-based compensation								
Tax effect								
Total non-GAAP adjustments, net								
Adjusted net income								
% Change period over period	**% Change period over period**	**(17) %**	**34 %**	**% Change period over period**	**32 %**	**(45) %**	**(7) %**	**5 %**

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Following is a reconciliation of diluted EPS (GAAP) to adjusted EPS (non-GAAP):

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
(amounts per share)	*(amounts per share)*	2024	2023	*(amounts per share)*	2024	2023	2024	2023
Diluted EPS								
Diluted EPS								
Diluted EPS								

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Non-GAAP adjustments:			
Stock-based compensation			
Stock-based compensation			
Stock-based compensation			
Tax effect			
Total non-GAAP adjustments, net			
Adjusted EPS			
% Change period over period	**% Change period over period** (15) % 34 %	**% Change period over period** 34 % (45) %	(5) % 5 %

Liquidity and Capital Resources

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of, among other things, our expansion plans, stock repurchases, potential acquisitions, debt service requirements and other operating cash needs. To meet short-term liquidity requirements, which are primarily the payment of direct costs and operating expenses, we rely primarily on cash from operations. Longer-term projects, large stock repurchases or significant acquisitions may be financed with public or private debt or equity. We have a revolving credit facility ("Facility") with a syndicate of financial institutions with a current borrowing capacity of $650 million. The Facility is available for working capital and general corporate purposes, including acquisitions and stock repurchases. We have in the past sought, and may in the future seek, to raise additional capital or take other steps to increase or manage our liquidity and capital resources.

We had $683 million $692 million in cash, cash equivalents and marketable securities at March 31, 2024 June 30, 2024, of which approximately $443 million $459 million was payable in early April July 2024 for withheld federal and state income taxes, employment taxes and other payroll deductions, and approximately $34 million $22 million represented client prepayments that were payable in April July 2024, and includes $97 million of funds we received in late June 2024 from the Internal Revenue Service related to employee retention tax credits claimed by our PEO clients under the COVID relief programs that were distributed to clients in early July 2024. At March 31, 2024 June 30, 2024, we had working capital of $213 million $238 million compared to $159 million at December 31, 2023. We currently believe that our cash on hand, marketable securities, cash flows from operations, and availability under the Facility will be adequate to meet our liquidity requirements for the remainder of 2024. We intend to rely on these same sources, as well as public and private debt or equity financing, to meet our longer-term liquidity and capital needs.

As of March 31, 2024 June 30, 2024, we had outstanding letters of credit and borrowings totaling $370 million under the Facility. Please read Note 5 to the Consolidated Financial Statements, "Long-Term Debt," for additional information.

Cash Flows from Operating Activities

Net cash provided by (used in) operating activities in the first three six months of 2024 was $31 million $51 million. Our primary source of cash from operations is the comprehensive service fee and payroll funding we collect from our clients. Our cash and cash equivalents, and thus our reported cash flows from operating activities, are significantly impacted by various external and internal factors, which are reflected in part by the changes in our balance sheet accounts. These include the following:

- Timing of client payments / payroll taxes — We typically collect our comprehensive service fee, along with the client's payroll funding, from clients no later than the same day as the payment of WSEE payrolls and associated payroll taxes. Therefore, the last business day of a reporting period has a substantial impact on our reporting of operating cash flows. For example, many WSEEs are paid on Fridays; therefore, operating cash flows decrease in the reporting periods that end on a Friday or a Monday. In the three six months ended March 31, 2024 June 30, 2024, the last business day of the reporting period was a Friday, client prepayments were $34 million $22 million and employment taxes and other deductions were $443 million. $459 million, which includes $97 million of funds we received in late June 2024 from the Internal Revenue Service related to employee retention tax credits claimed by our PEO clients under the COVID relief programs that were distributed to clients in early July 2024. In the three six months ended March 31, 2023 June 30, 2023, the last business day of the reporting period was also a Friday, client prepayments were $44 million and employment taxes and other deductions were $458 million.

reporting period was also a Friday, client prepayments were $31 million and employment taxes and other deductions were $366 million.

- Workers' compensation plan funding — During YTD 2024, we received $38 million for the return of excess claim funds related to the workers' compensation program, which resulted in an increase in working capital.

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- Medical plan funding — Our health care contract with United establishes participant cash funding rates 90 days in advance of the beginning of a reporting quarter. Therefore, changes in the participation level of the United plan have a direct impact on our operating cash flows. In addition, changes to the funding rates, which are solely determined by United based primarily upon recent claim history and anticipated cost trends, also have a significant impact on our operating cash flows. As of March 31, 2024 June 30, 2024, Plan Costs were less than the net premiums paid and owed to United by $33 million $27 million, which is $24 million $18 million in excess of our agreed-upon $9 million surplus maintenance level. The $24 million $18 million difference is therefore reflected as a current asset and $9 million is reflected as a long-term asset on our Condensed Consolidated Balance Sheet at March 31, 2024 June 30, 2024. In addition, the premiums owed to United at March 31, 2024 June 30, 2024, were $63 million $35 million, which is included in accrued health insurance costs, a current liability, on our Condensed Consolidated Balance Sheet.
- Operating results — Our adjusted net income has a significant impact on our operating cash flows. Our adjusted net income decreased 17% 7% to $86 million $119 million in the first three six months of 2024, compared to $103 million $128 million in the first three six months of 2023. Please read "Results of Operations – First Second Quarter 2024 Compared to First Second Quarter 2023."

Cash Flows from Investing Activities

Net cash flows used in investing activities were $5 million $11 million for the three six months ended March 31, 2024 June 30, 2024, primarily due to property and equipment purchases of $5 million $11 million.

Cash Flows from Financing Activities

Net cash flows used in financing activities were $83 million $127 million for the three six months ended March 31, 2024 June 30, 2024. We paid $21 million $44 million in dividends and repurchased or withheld $23 million $37 million in stock. In addition, client funds liability and other financing activities decreased by $39 million $46 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK AND CONTROLS AND PROCEDURES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to market risks from fluctuations in interest rates and the effects of those fluctuations on the market values of our cash equivalent short-term investments, our available-for-sale marketable securities and our borrowings under our Facility, which bears interest at a variable market rate. As of March 31, 2024 June 30, 2024, we had outstanding letters of credit and borrowings totaling $370 million under the Facility. Please read Note 5 to the Consolidated Financial Statements, "Long-Term Debt," for additional information.

The cash equivalent short-term investments consist primarily of overnight investments, which are not significantly exposed to interest rate risk, except to the extent that changes in interest rates will ultimately affect the amount of interest income earned on these investments. Our available-for-sale marketable securities are subject to interest rate risk because these securities generally include a fixed interest rate. As a result, the market values of these securities are affected by changes in prevailing interest rates.

We attempt to limit our exposure to interest rate risk primarily through diversification and low investment turnover. Our investment policy is designed to maximize after-tax interest income while preserving our principal investment. As a result, our marketable securities consist of primarily short-term U.S. Government Securities.

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024 June 30, 2024.

There has been no change in our internal control over financial reporting that occurred during the three months ended March 31, 2024 June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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OTHER INFORMATION

PART II

Item 1. Legal Proceedings

Please read Note 8 to the Consolidated Financial Statements, "Commitments and Contingencies," which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in our risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 under "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II.

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

The following table provides information about purchases by Insperity during the three months ended March 31, 2024 June 30, 2024 of equity securities that are registered by Insperity pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased(1)(2)	Average Price Paid per Share		Total Number of Shares Purchased Under Announced Program(2)	Maximum Number of Shares Available for Purchase under Announced Program(2)
01/01/2024 — 01/31/2024	1,232	$	112.06	1,202	1,968,360
02/01/2024 — 02/29/2024	197,345		96.69	52,542	1,915,818
03/01/2024 — 03/31/2024	34,314		100.29	—	1,915,818
Total	**232,891**	**$**	**97.30**	**53,744**	

Period	Total Number of Shares Purchased(1)(2)	Average Price Paid per Share		Total Number of Shares Purchased Under Announced Program(2)	Maximum Number of Shares Available for Purchase under Announced Program(2)
04/01/2024 — 04/30/2024	602	$	106.84	—	1,915,818
05/01/2024 — 05/31/2024	297		102.99	—	1,915,818
06/01/2024 — 06/30/2024	150,000		93.78	150,000	1,765,818
Total	**150,899**	**$**	**93.85**	**150,000**	

(1) During the three months ended March 31, 2024 June 30, 2024, 179,147 899 shares of stock were withheld to satisfy tax-withholding obligations arising in conjunction with the vesting of restricted stock units. The required withholding is calculated using the closing sales price reported by the New York Stock Exchange on the date prior to the applicable vesting date. These shares are not subject to the repurchase program.

(2) Our Board of Directors has approved a program to repurchase shares of our outstanding common stock, which was originally announced on January 28, 1999. From time to time, our Board of Directors has increased the number of shares authorized to be repurchased under the program. On August 1, 2023, we announced that our Board of Directors had authorized an increase of 2,000,000 shares that may be repurchased under the program. As of March 31, 2024 June 30, 2024, we were authorized to repurchase an additional 1,915,818 1,765,818 shares under the program. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program.

Item 5. Other Information

Trading Plans

During the first second quarter of 2024, none of our directors or executive officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Credit Facility Amendment

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On April 26 2024, we entered into the Sixth Amendment to Amended and Restated Credit Agreement (the “Sixth Amendment”) with Zions Bancorporation, N.A. dba Amegy Bank, as administrative agent, and certain financial institutions, as lenders. The Sixth Amendment amends the Company’s existing credit agreement, dated as of February 6, 2018 (as amended), to amend the definition of EBITDA to exclude certain expenses arising in connection with the Company’s strategic partnership with Workday, Inc. through 2025.

The foregoing summary is qualified in its entirety by reference to the Sixth Amendment, a copy of which is filed as Exhibit 10.1 to this Form 10-Q and is incorporated in this Item 5 by reference.

OTHER INFORMATION

Item 6. Exhibits

Exhibit No		Exhibit
10.1	*	Sixth Sixth Amendment to the Amended and Restated Credit Agreement dated April 26, 2024.
10.2	†	Form of Restricted Stock Unit Agreement for awards granted to executive officers on or after January 29, 2024 (incorporated by reference to Exhibit 10.5 to the Registrant’s Form 10-K filed on February 9, 2024)April 26, 2024.
10.3	†	Form of Restricted Stock Unit Agreement for awards granted to certain senior personnel on or after January 29, 2024 (incorporated by reference to Exhibit 10.610.1 to the Registrant’s Registrant's Form 10-K 10-Q filed on February 9, 2024). May 1, 2024)
10.5	†	Form of Employee Award Notice and Agreement under LTIP granted on or after January 29, 2024 (incorporated by reference to Exhibit 10.9 to the Registrant’s Form 10-K filed on February 9, 2024).
10.6	†	Insperity, Inc. Long-Term Incentive Program, as amended and restated January 29, 2024(incorporated by reference to Exhibit 10.9 to the Registrant’s Form 10-K filed on February 9, 2024).
31.1	*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	*	Inline XBRL 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 (embedded with the Inline XBRL document).

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* Filed with this report.

** Furnished with this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INSPERITY, INC.

Date: May 1, 2024 August 6, 2024	By:	*/s/ Douglas S. Sharp*
		Douglas S. Sharp
		Executive Vice President of Finance, Chief Financial Officer & Treasurer
		(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), effective as of March 31, 2024 (the "Effective Date"), but executed as of April 26, 2024 (the "Sixth Amendment Closing Date"), is by and among INSPERITY, INC., a Delaware corporation ("Borrower"), each of the financial institutions which is or may from time to time become a party to the Agreement (hereinafter defined) (collectively, "Lenders", and each a "Lender"), and ZIONS BANCORPORATION, N.A. dba AMEGY BANK, as agent for Lenders ("Agent").

RECITALS:

A. Borrower, Agent and Lenders entered into that certain Amended and Restated Credit Agreement dated as of February 6, 2018, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of September 13, 2019, that certain Second Amendment to Amended and Restated Credit Agreement dated as of March 9, 2021, that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 28, 2021, that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of June 30, 2022, and that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of September 28, 2023 (as amended, the "Agreement").

B. Pursuant to the Agreement, INSPERITY HOLDINGS, INC., a Delaware corporation, ADMINISTAFF COMPANIES, INC., a Delaware corporation, ADMINISTAFF PARTNERSHIPS HOLDING, INC., a Delaware corporation, ADMINISTAFF PARTNERSHIPS HOLDING II, INC., a Delaware corporation, ADMINISTAFF PARTNERSHIPS HOLDING III, INC., a Delaware corporation, INSPERITY BUSINESS SERVICES, L.P., a Delaware limited partnership, INSPERITY EMPLOYMENT SCREENING, L.L.C., a Delaware limited liability company, INSPERITY ENTERPRISES, INC., a Texas corporation, INSPERITY EXPENSE MANAGEMENT, INC., a California corporation, INSPERITY GP, INC., a Delaware corporation, INSPERITY INSURANCE SERVICES, L.L.C., a Delaware limited liability company, INSPERITY PAYROLL SERVICES, L.L.C., a Delaware limited liability company, INSPERITY PEO SERVICES, L.P., a Delaware limited partnership, INSPERITY RETIREMENT SERVICES, L.P., a Delaware limited partnership, INSPERITY SERVICES, L.P., a Delaware limited partnership, and INSPERITY SUPPORT SERVICES, L.P., a Delaware limited partnership (collectively, "Guarantors"), executed that certain Amended and Restated Guaranty Agreement dated as of February 6, 2018 (the "Guaranty Agreement"), pursuant to which Guarantors guaranteed to Agent, for the ratable benefit of Agent, Issuing Bank and Lenders, the payment and performance of the Guaranteed Indebtedness (as therein defined).

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C. Zions Bancorporation, N.A. dba Amegy Bank, Bank of America, N.A., Wells Fargo Bank, N.A., PNC Capital Markets LLC, and U.S. Bank National Association have been appointed Joint Lead Arrangers for the credit facilities described in the Agreement.

D. Zions Bancorporation, N.A. dba Amegy Bank, Bank of America, N.A., Wells Fargo Bank, N.A., PNC Bank, National Association, and U.S. Bank National Association have been appointed Co-Syndication Agents for the credit facilities described in the Agreement.

E. Borrower, Agent and Lenders now desire to amend the Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

Definitions

Section 1.1 Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the meanings given to such terms in the Agreement, as amended hereby.

ARTICLE II.

Amendments

Section 1.1 Amendments to Certain Definitions. Effective as of the Effective Date, the definition of the following term contained in Section 1.1 of the Agreement is amended to read in its entirety as follows:

"EBITDA" means for Borrower and its Subsidiaries, on a consolidated basis for any period, the sum of (without duplication):

(a) Operating Income for such period, plus

(b) depreciation and amortization for such period, plus

(c) non-cash stock based compensation expense for such period, plus

(d) Interest Income for such period, plus

(e) extraordinary or non-recurring expenses or charges, in an aggregate amount not to exceed $10,000,000.00 during any consecutive four (4) fiscalquarter period, plus

(f) any non-cash write-off for impairment of long lived assets (including goodwill, intangible assets and fixed assets such as property, plant

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and equipment), or of deferred financing fees or investments in debt and equity securities during such period, plus

(g) any non-cash impact of accounting changes or restatements during such period, plus

(h) amortization of expenses associated with prepaid software-as-a-service (SaaS) product implementations during such period, plus

(i) transaction costs and synergies approved by Agent for such period; plus

(j) for each of the fiscal quarters ending March 31, 2024, June 30, 2024, September 30, 2024, December 31, 2024, March 31, 2025, June 30, 2025, September 30, 2025, and December 31, 2025, expenses in an amount not to exceed $15,000,000.00 for such fiscal quarter, which expenses arose during such fiscal quarter in connection with Borrower's and/or a Subsidiary's strategic partnership with Workday, Inc.;

provided, however, that the amounts of each of the items set forth in clauses (a)-(i) above shall include, for the first twelve (12) months after any Acquisition, the actual historical amounts of such items for any Person which is acquired by Borrower or any Subsidiary in such Acquisition.

Section 1.2 Amendment to Exhibits. Effective as of the Effective Date, Exhibit "D" (No Default Certificate) to the Agreement is amended to conform in its entirety to Annex "A" to this Amendment.

ARTICLE III.

Condition Precedent

Section 1.1 Conditions. The effectiveness of this Amendment is subject to the receipt by Agent of the following in form and substance satisfactory to Agent:

(a) Certificates - Borrower.

(i) A certificate of the Secretary or Assistant Secretary of Borrower (or another officer of Borrower acceptable to Agent) certifying (A) resolutions of the board of directors of Borrower which authorize the execution, delivery and performance by Borrower of this Amendment and the other Loan Documents to which Borrower is or is to be a party in connection herewith, and (B) the names of the officers of Borrower authorized to sign this Amendment and each of the other Loan Documents to which Borrower is or is to be a party as of the date of this Amendment, together with specimen signatures of such officers.

(ii) A certificate of the Chief Financial Officer of Borrower certifying (A) that all representations and warranties in this Amendment and the other Loan Documents are true and correct as of the Sixth Amendment Closing Date, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case such representations and warranties are true and correct as of such earlier date, (B) that no Event of Default or Unmatured Event of Default has occurred and is continuing, (C) that no Material Adverse Effect has occurred since December 31, 2021, and (D) that no event has occurred and no condition exists which could reasonably be expected to have a Material Adverse Effect.

(b) Governmental Certificates. Certificates issued by the appropriate government officials of the state of incorporation or organization, as applicable, of Borrower and each Guarantor as to the existence and good standing of Borrower and each such Guarantor in such state.

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(c) Fees and Expenses. Evidence that the costs and expenses (including reasonable attorneys' fees) referred to in Section 12.1 of the Agreement, to the extent invoiced prior to the closing of this Amendment, have been paid in full by Borrower.

Section 1.2 Additional Conditions. The effectiveness of this Amendment is also subject to the satisfaction of the additional conditions precedent that (a) the representations and warranties contained herein and in all other Loan Documents, as amended hereby, shall be true and correct as of the Sixth Amendment Closing Date as if made on the Sixth Amendment Closing Date, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date, and (b) no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

ARTICLE IV.

Ratifications, Representations, and Warranties

Section 1.1 Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower, Agent and Lenders agree that the Agreement, as amended hereby, and the other Loan Documents shall continue to be the legal, valid and binding obligation of such Persons enforceable against such Persons in accordance with their respective terms.

Section 1.2 Representations and Warranties. Borrower hereby represents and warrants to Agent and Lenders that (a) the execution, delivery, and performance of this

Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite corporate action on the part of Borrower and will not violate the Organizational Documents of Borrower, (b) the representations and warranties contained in the Agreement as amended hereby, and all other Loan Documents are true and correct on and as of the Sixth Amendment Closing Date as though made on and as of the Sixth Amendment Closing Date, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date, (c) no Event of Default or Unmatured Event of Default has occurred and is continuing, (d) Borrower is indebted to Lenders pursuant to the terms of the Notes, as the same may have been increased, renewed, modified, extended, or rearranged, including, without limitation, any increases, renewals, modifications, and extensions made pursuant to this Amendment, (e) the liens, security interests, encumbrances and assignments created and evidenced by the Loan Documents are, respectively, valid and subsisting liens, security interests, encumbrances and assignments and secure the Notes, as the same may have been increased, renewed, modified, extended, or rearranged, including, without limitation, any increases, renewals, modifications, and extensions made pursuant to this Amendment, and (f) to the knowledge of the Authorized Representatives and Financial Officers of Borrower, Borrower has no claims, credits, offsets, defenses or counterclaims arising from the Loan Documents or Agent's or any Lender's performance under the Loan Documents. **Borrower hereby represents and warrants to Agent and Lenders that this Amendment and all other Loan Documents executed in connection herewith have not been executed in the state of Florida.**

ARTICLE V.

Intentionally reserved

ARTICLE VI.

Miscellaneous

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Section 1.1 Survival of Representations and Warranties. All representations and warranties made in this Amendment or any other Loan Documents including any Loan Document furnished in connection with this Amendment shall fully survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Agent or any Lender or any closing shall affect the representations and warranties or the right of Agent or any Lender to rely on them.

Section 1.2 Reference to Agreement. Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement, as amended hereby, are hereby amended so that any reference in such Loan

Documents to the Agreement shall mean a reference to the Agreement, as amended hereby.

Section 1.3 Expenses; Indemnification. Borrower agrees that this Amendment is a Loan Document to which Sections 12.1 and 12.2 of the Agreement shall apply.

Section 1.4 Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid, illegal or unenforceable shall not impair or invalidate the remaining provisions hereof and the effect of such invalidity, illegality or unenforceability shall be confined to the provision held to be invalid, illegal or unenforceable.

Section 1.5 **APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS AMENDMENT HAS BEEN ENTERED INTO IN HARRIS COUNTY, TEXAS AND IT SHALL BE PERFORMABLE FOR ALL PURPOSES IN HARRIS COUNTY, TEXAS.**

Section 1.6 Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Agent, Issuing Bank, each Lender and Borrower and their respective successors and assigns, except that (a) Borrower may not assign or transfer any of its rights or obligations hereunder without prior written consent of Agent and Lenders, and (b) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with Section 12.19 of the Agreement or as required under Section 2.21 of the Agreement.

Section 1.7 **ORIGINALLY EXECUTED DOCUMENTS; COUNTERPARTS**. As an express condition to Agent and Lenders entering into this Amendment and the other Loan Documents based upon Agent's receipt of fully-executed imaged copies of such Loan Documents, Borrower shall deliver to Agent original hand-written signatures (i.e., wet signatures) of Borrower and Guarantors with respect to this Amendment and any other Loan Documents signed in connection herewith on or before the date that is no later than ten (10) days from the Sixth Amendment Closing Date (or such later date as Agent may permit in its sole discretion). Notwithstanding the foregoing, Borrower, Agent and Lenders agree that this Amendment and the other Loan Documents may be signed and transmitted by electronic mail of a .PDF document and thereafter maintained in imaged or electronic form, and that such imaged or electronic record shall be valid and effective to bind the party so signing as a paper copy bearing such party's hand-written signature. Borrower, Agent and Lenders further agree that the signatures appearing on this Amendment and the other Loan Documents (whether in imaged or other electronic format) shall be treated, for purpose of validity, enforceability and admissibility, the same as hand-written signatures. This Amendment and the other Loan Documents may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument.

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Section 1.8 Effect of Waiver. No consent or waiver, express or implied, by Agent or any Lender to or for any breach of or deviation from any covenant, condition or duty by Borrower shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 1.9 Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 1.10 Dispute Resolution Provision. This Section contains a jury waiver and a class action waiver. This Section should be carefully read.

This dispute resolution provision shall supersede and replace any prior "Jury Waiver", "Judicial Reference", "Class Action Waiver", "Dispute Resolution" or similar alternative dispute agreement or provision between or among the parties.

(a) **JURY TRIAL WAIVER; CLASS ACTION WAIVER. AS PERMITTED BY APPLICABLE LAW, EACH OF BORROWER, EACH GUARANTOR, AGENT, AND EACH LENDER (EACH A "PARTY" AND TOGETHER THE "PARTIES") WAIVES ITS RIGHTS TO A TRIAL BEFORE A JURY IN CONNECTION WITH ANY DISPUTE (AS "DISPUTE" IS HEREINAFTER DEFINED), AND DISPUTES SHALL BE RESOLVED BY A JUDGE SITTING WITHOUT A JURY. IF PERMITTED BY APPLICABLE LAW, EACH PARTY ALSO WAIVES THE RIGHT TO LITIGATE IN COURT OR ARBITRATE ANY CLAIM OR DISPUTE AS A CLASS ACTION, EITHER AS A MEMBER OF A CLASS OR AS A REPRESENTATIVE, OR TO ACT AS A PRIVATE ATTORNEY GENERAL.** A "Dispute" as used in this clause (a) shall mean any claim, dispute, or controversy arising out of or relating to this Amendment, the Agreement, or any other Loan Document or the transaction contemplated hereby or thereby (whether based on contract, tort, or any other theory).

(b) **RELIANCE. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT, OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT OR THE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS, AGREEMENTS, AND CERTIFICATIONS IN THIS SECTION.**

Section 1.11 **WAIVER OF DEFENSES AND RELEASE OF CLAIMS. Each of Borrower and each Guarantor hereby (a) represents that none of Borrower, any Guarantor, or any affiliate or principal of Borrower or any Guarantor has any defenses to or setoffs against any of the Obligations set forth in clause (a) or clause (b) of the definition thereof owing by Borrower or any other Loan Party to Agent, Issuing Bank, or any Lender (the "Collective-Obligations"), nor any claims against Agent, Issuing Bank, or any Lender for any matter related to the Collective-Obligations, and (b) releases Agent, Issuing Bank, each Lender, and each of Agent's, Issuing Bank's, and each Lender's affiliates, officers, directors, employees and agents from all claims, causes of action, and costs, in law or equity, known or unknown, whether or not matured or contingent, existing as of the Sixth Amendment**

Closing Date that Borrower or any Guarantor has or may have by reason of any matter of any conceivable kind or character whatsoever, related or unrelated to the Collective-Obligations, including the subject matter of this Amendment or the Agreement. The foregoing release does not apply, however, to claims for future performance of express contractual obligations that mature after the Sixth Amendment Closing Date that are owing to Borrower or any Guarantorby Agent, Issuing Bank, any Lender, or any of Agent's, Issuing Bank's,or any Lender's affiliates. Borrower and each Guarantoracknowledges that Agent, Issuing Bank, and Lenders have been induced to enter into or continue the Collective-Obligations by, among other things, the waivers and releases in this Section.

Section 1.12 **ENTIRE AGREEMENT. THIS AMENDMENT, THE AGREEMENT, THE OTHER LOAN DOCUMENTS AND ALL OTHER INSTRUMENTS, DOCUMENTS, AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT AND THE**

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AGREEMENT EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT, THE AGREEMENT OR THE OTHER LOAN DOCUMENTS AND THE OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT AND THE AGREEMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

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Executed as of the date first written above.

BORROWER:

INSPERITY, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

AGENT:

ZIONS BANCORPORATION, N.A. dba
AMEGY BANK, as Agent

By:

Ryan K. Hightower
Executive Vice President

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

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LENDERS:

ZIONS BANCORPORATION, N.A. dba
AMEGY BANK

By:
Ryan K. Hightower
Executive Vice President

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

BANK OF AMERICA, N.A.

By:
Name:
Title:

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

WELLS FARGO BANK, N.A.

By:
Name:
Title:

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

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PNC BANK, NATIONAL ASSOCIATION

By:
Name:
Title:

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U.S. BANK NATIONAL ASSOCIATION

By:
Name:
Title:

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WOODFOREST NATIONAL BANK

By:
Name:
Title:

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Each of the undersigned Guarantors hereby consents and agrees to this Amendment and agrees that the Guaranty Agreement executed by Guarantors shall remain in full force and effect and shall continue to be the legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with its terms and shall evidence such Guarantor's guaranty of the Guaranteed Indebtedness (as therein defined), as renewed, extended, and increased from time to time.

In addition, each of the undersigned Guarantors agrees to be bound by Section 6.10 and Section 6.11 of this Amendment.

INSPERITY HOLDINGS, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

ADMINISTAFF COMPANIES, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

ADMINISTAFF PARTNERSHIPS HOLDING, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

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ADMINISTAFF PARTNERSHIPS HOLDING II, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

ADMINISTAFF PARTNERSHIPS HOLDING III, INC.

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By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY BUSINESS SERVICES, L.P.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY EMPLOYMENT SCREENING, L.L.C.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

INSPERITY ENTERPRISES, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY EXPENSE MANAGEMENT, INC.

By:

Douglas S. Sharp
Treasurer

INSPERITY GP, INC.

By:

Douglas S. Sharp
Executive Vice President of Finance,

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Chief Financial Officer and Treasurer

INSPERITY INSURANCE SERVICES, L.L.C.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY PAYROLL SERVICES, L.L.C.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

INSPERITY PEO SERVICES, L.P.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY RETIREMENT SERVICES, L.P.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

INSPERITY SERVICES, L.P.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

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INSPERITY SUPPORT SERVICES, L.P.

By:

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer and Treasurer

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LIST OF ANNEXES

<u>AnnexDocument</u>

A No Default Certificate

SIGNATURE PAGE TO SIXTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

ANNEX "A"

<u>No Default Certificate</u>

Exhibit 31.1

CERTIFICATION

I, Paul J. Sarvadi, certify that:

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2024 August 6, 2024

/s/ Paul J. Sarvadi

Paul J. Sarvadi
Chairman of the Board & Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Douglas S. Sharp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Insperity, 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;

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

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

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

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

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

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

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

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

Date: May 1, 2024 August 6, 2024

/s/ Douglas S. Sharp

Douglas S. Sharp

Executive Vice President of Finance,
Chief Financial Officer & Treasurer

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 Insperity, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2024 June 30, 2024, (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Paul J. Sarvadi, Chairman of the Board & 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, to the best of my knowledge, that:

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/ Paul J. Sarvadi

Paul J. Sarvadi

Chairman of the Board & Chief Executive Officer

May 1, August 6, 2024

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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 Insperity, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2024 June 30, 2024, (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Douglas S. Sharp, Executive Vice President of Finance, Chief Financial Officer & Treasurer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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/ Douglas S. Sharp

Douglas S. Sharp
Executive Vice President of Finance,
Chief Financial Officer & Treasurer
May 1, August 6, 2024

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