
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2023

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 number 001-33076

WILLDAN GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

14-1951112
(IRS Employer Identification No.)

2401 East Katella Avenue, Suite 300
Anaheim, California
(Address of Principal Executive Offices)

92806
(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 424-9144

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	WLDN	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 1, 2023, there were 13,646,768 shares of common stock, \$0.01 par value per share, of Willdan Group, Inc. issued and outstanding.

**WILLDAN GROUP, INC.
FORM 10-Q QUARTERLY REPORT**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this “10-Q”) contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995, as amended. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-Q are forward-looking statements. These statements may include words such as “aim,” “anticipate,” “assume,” “believe,” “can have,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “likely,” “may,” “objective,” “plan,” “potential,” “positioned,” “predict,” “should,” “target,” “will,” “would” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management’s beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our ability to adequately complete projects in a timely manner;
- our ability to compete successfully in the highly competitive energy services market, which represented 83% of our consolidated revenue in fiscal year 2022;
- our reliance on work from our top ten clients, which accounted for 55% of our consolidated contract revenue for fiscal year 2022;
- changes in state, local and regional economies and government budgets;
- our ability to win new contracts, to renew existing contracts and to compete effectively for contracts awarded through bidding processes;
- our ability to make principal and interest payments on our outstanding debt as they come due and to comply with the financial covenants contained in our debt agreements;
- our ability to manage supply chain constraints, labor shortages, rising interest rates, and rising inflation;
- our ability to obtain financing and to refinance our outstanding debt as it matures;
- our ability to successfully integrate our acquisitions and execute on our growth strategy; and
- our ability to attract and retain managerial, technical, and administrative talent.

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed elsewhere in this Quarterly Report on Form 10-Q, and under Part I, Item 1A. “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 30, 2022, as such disclosures may be amended, supplemented or superseded from time to

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time by other reports we file with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****WILLDAN GROUP, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(Unaudited)

	<u>September 29,</u> <u>2023</u>	<u>December 30,</u> <u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,887	\$ 8,806
Restricted cash	—	10,679
Accounts receivable, net of allowance for doubtful accounts of \$263 and \$640 at September 29, 2023 and December 30, 2022, respectively	66,343	60,202
Contract assets	78,530	83,060
Other receivables	1,467	4,773
Prepaid expenses and other current assets	5,279	6,454
Total current assets	164,506	173,974
Equipment and leasehold improvements, net	26,160	22,537
Goodwill	131,144	130,124
Right-of-use assets	12,695	12,390
Other intangible assets, net	34,155	41,486
Other assets	15,613	10,620
Deferred income taxes, net	17,347	18,543
Total assets	<u>\$ 401,620</u>	<u>\$ 409,674</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 32,755	\$ 28,833
Accrued liabilities	45,773	59,110
Contingent consideration payable	—	4,000
Contract liabilities	15,406	12,585
Notes payable	7,995	16,903
Finance lease obligations	1,166	1,113
Lease liability	4,729	4,625
Total current liabilities	107,824	127,169
Notes payable	91,386	90,544
Finance lease obligations, less current portion	1,249	1,601
Lease liability, less current portion	9,829	8,599
Other noncurrent liabilities	259	259
Total liabilities	<u>210,547</u>	<u>228,172</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 40,000 shares authorized; 13,647 and 13,296 shares issued and outstanding at September 29, 2023 and December 30, 2022, respectively	136	133
Additional paid-in capital	184,391	177,718
Accumulated other comprehensive loss	—	—
Retained earnings	6,546	3,651
Total stockholders' equity	191,073	181,502
Total liabilities and stockholders' equity	<u>\$ 401,620</u>	<u>\$ 409,674</u>

See accompanying notes to Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Contract revenue	\$ 132,738	\$ 121,399	\$ 354,418	\$ 315,882
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):				
Salaries and wages	21,856	21,420	63,568	61,514
Subcontractor services and other direct costs	67,454	62,457	165,508	153,896
Total direct costs of contract revenue	89,310	83,877	229,076	215,410
General and administrative expenses:				
Salaries and wages, payroll taxes and employee benefits	23,805	20,373	68,606	60,169
Facilities and facility related	2,303	2,228	7,200	6,999
Stock-based compensation	1,244	1,607	4,064	6,626
Depreciation and amortization	4,190	4,405	12,518	13,240
Other	8,049	9,664	22,629	25,099
Total general and administrative expenses	39,591	38,277	115,017	112,133
Income (Loss) from operations	3,837	(755)	10,325	(11,661)
Other income (expense):				
Interest expense, net	(2,437)	(1,435)	(7,110)	(3,216)
Other, net	879	740	1,392	1,266
Total other expense, net	(1,558)	(695)	(5,718)	(1,950)
Income (Loss) before income taxes	2,279	(1,450)	4,607	(13,611)
Income tax (benefit) expense	713	(1,526)	1,712	(5,588)
Net income (loss)	1,566	76	2,895	(8,023)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative contracts, net of tax	—	—	—	38
Comprehensive income (loss)	\$ 1,566	\$ 76	\$ 2,895	\$ (7,985)
Earnings (Loss) per share:				
Basic	\$ 0.12	\$ 0.01	\$ 0.22	\$ (0.62)
Diluted	\$ 0.11	\$ 0.01	\$ 0.21	\$ (0.62)
Weighted-average shares outstanding:				
Basic	13,462	13,110	13,357	12,971
Diluted	13,709	13,360	13,563	12,971

See accompanying notes to Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount				
Balance at December 30, 2022	13,296	\$ 133	\$177,718	\$ —	\$ 3,651	\$181,502
Shares of common stock issued in connection with employee stock purchase plan	92	1	1,391	—	—	1,392
Shares used to pay taxes on stock grants	(7)	—	(124)	—	—	(124)
Issuance of restricted stock award and units	108	1	(1)	—	—	—
Stock-based compensation expense	—	—	1,533	—	—	1,533
Net income (loss)	—	—	—	—	932	932
Balance at March 31, 2023	<u>13,489</u>	<u>\$ 135</u>	<u>\$180,517</u>	<u>\$ —</u>	<u>\$ 4,583</u>	<u>\$185,235</u>
Shares of common stock issued in connection with incentive stock plan	2	—	7	—	—	7
Shares used to pay taxes on stock grants	(4)	—	(64)	—	—	(64)
Issuance of restricted stock award and units	17	—	—	—	—	—
Stock-based compensation expense	—	—	1,287	—	—	1,287
Net income (loss)	—	—	—	—	397	397
Balance at June 30, 2023	<u>13,504</u>	<u>\$ 135</u>	<u>\$181,747</u>	<u>\$ —</u>	<u>\$ 4,980</u>	<u>\$186,862</u>
Shares of common stock issued in connection with employee stock purchase plan	91	1	1,386	—	—	1,387
Shares of common stock issued in connection with incentive stock plan	9	—	31	—	—	31
Shares used to pay taxes on stock grants	(1)	—	(17)	—	—	(17)
Issuance of restricted stock award and units	44	—	—	—	—	—
Stock-based compensation expense	—	—	1,244	—	—	1,244
Net income (loss)	—	—	—	—	1,566	1,566
Balance at September 29, 2023	<u>13,647</u>	<u>\$ 136</u>	<u>\$184,391</u>	<u>\$ —</u>	<u>\$ 6,546</u>	<u>\$191,073</u>

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount				
Balance at December 31, 2021	12,804	\$ 128	\$167,032	\$ (38)	\$ 12,099	\$179,221
Shares of common stock issued in connection with employee stock purchase plan	52	1	1,560	—	—	1,561
Shares of common stock issued in connection with incentive stock plan	4	—	23	—	—	23
Shares used to pay taxes on stock grants	(27)	—	(837)	—	—	(837)
Issuance of restricted stock award and units	373	3	(3)	—	—	—
Stock-based compensation expense	—	—	3,305	—	—	3,305
Net income (loss)	—	—	—	—	(3,773)	(3,773)
Net unrealized gain on derivative contracts	—	—	—	38	—	38
Balance at April 1, 2022	<u>13,206</u>	<u>\$ 132</u>	<u>\$171,080</u>	<u>\$ —</u>	<u>\$ 8,326</u>	<u>\$179,538</u>
Shares of common stock issued in connection with employee stock purchase plan	—	—	—	—	—	—
Shares of common stock issued in connection with incentive stock plan	—	—	—	—	—	—
Shares used to pay taxes on stock grants	(5)	—	(116)	—	—	(116)
Issuance of restricted stock award and units	14	—	—	—	—	—
Stock-based compensation expense	—	—	1,714	—	—	1,714
Net income (loss)	—	—	—	—	(4,326)	(4,326)
Balance at July 1, 2022	<u>13,215</u>	<u>\$ 132</u>	<u>\$172,678</u>	<u>\$ —</u>	<u>\$ 4,000</u>	<u>\$176,810</u>
Shares of common stock issued in connection with employee stock purchase plan	63	1	1,475	—	—	1,476
Shares of common stock issued in connection with incentive stock plan	29	—	247	—	—	247
Shares used to pay taxes on stock grants	—	—	(5)	—	—	(5)
Issuance of restricted stock award and units	(10)	—	—	—	—	—
Stock-based compensation expense	—	—	1,607	—	—	1,607
Net income (loss)	—	—	—	—	76	76
Balance at September 30, 2022	<u>13,297</u>	<u>\$ 133</u>	<u>\$176,002</u>	<u>\$ —</u>	<u>\$ 4,076</u>	<u>\$180,211</u>

See accompanying notes to Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended	
	September 29, 2023	September 30, 2022
Cash flows from operating activities:		
Net income (loss)	\$ 2,895	\$ (8,023)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,518	13,240
Deferred income taxes, net	1,196	(4,111)
(Gain) loss on sale/disposal of equipment	(63)	(67)
Provision for doubtful accounts	194	230
Stock-based compensation	4,064	6,626
Accretion and fair value adjustments of contingent consideration	—	1,659
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts receivable	(6,335)	6,605
Contract assets	4,530	(15,636)
Other receivables	3,306	1,155
Prepaid expenses and other current assets	1,686	256
Other assets	(4,993)	1,981
Accounts payable	3,922	(13,185)
Accrued liabilities	(2,658)	15,354
Contract liabilities	2,821	(1,336)
Right-of-use assets	1,029	(245)
Net cash (used in) provided by operating activities	<u>24,112</u>	<u>4,503</u>
Cash flows from investing activities:		
Purchase of equipment, software, and leasehold improvements	(7,583)	(6,969)
Proceeds from sale of equipment	68	75
Cash paid for acquisitions, net of cash acquired	(1,600)	—
Net cash (used in) provided by investing activities	<u>(9,115)</u>	<u>(6,894)</u>
Cash flows from financing activities:		
Payments on contingent consideration	(4,000)	(10,206)
Payment on restricted cash	(10,679)	—
Payments on notes payable	(1,463)	(1,577)
Payments on debt issuance costs	(1,114)	—
Borrowings under term loan facility and line of credit	105,000	20,000
Repayments under term loan facility and line of credit	(111,000)	(9,750)
Principal payments on finance leases	(951)	(827)
Proceeds from stock option exercise	38	270
Proceeds from sales of common stock under employee stock purchase plan	2,779	3,036
Cash used to pay taxes on stock grants	(205)	(958)
Net cash (used in) provided by financing activities	<u>(21,595)</u>	<u>(12)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,598)	(2,403)
Cash, cash equivalents and restricted cash at beginning of period	19,485	11,221
Cash, cash equivalents and restricted cash at end of period	<u>\$ 12,887</u>	<u>\$ 8,818</u>
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 8,025	\$ 2,790
Income taxes	(3,154)	(903)
Supplemental disclosures of noncash investing and financing activities:		
Equipment acquired under finance leases	652	2,137

See accompanying notes to Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Willdan Group, Inc. (“Willdan” or the “Company”) is a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resource and infrastructure needs undergo continuous change, the Company helps organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions, greenhouse gas reduction, and government infrastructure. Through engineering, program management, policy advisory, and software and data management, the Company designs and delivers trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure for our clients.

The Company’s broad portfolio of services operates within two financial reporting segments: (1) Energy and (2) Engineering and Consulting. The interfaces and synergies between these segments are important elements of the Company’s strategy to design and deliver trusted, comprehensive, innovative, and proven solutions for its customers.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 1, *Organization and Operations of the Company*, of the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2022. In the opinion of management, all adjustments necessary to fairly state the Condensed Consolidated Financial Statements have been made. All such adjustments are of a normal, recurring nature. Certain information and footnote disclosures normally included in the Consolidated Financial Statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). These Condensed Consolidated Financial Statements and related notes thereto should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2022. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Fiscal Years

The Company operates and reports its annual financial results based on 52 or 53-week periods ending on the Friday closest to December 31. The Company operates and reports its quarterly financial results based on the 13-week period ending on the Friday closest to June 30, September 30, and December 31 and the 13 or 14-week period ending on the Friday closest to March 31, as applicable. Fiscal year 2023, which ends on December 29, 2023, will be comprised of 52 weeks, with all quarters consisting of 13 weeks each. Fiscal year 2022, which ended on December 30, 2022, was comprised of 52 weeks, with all quarters consisting of 13 weeks each. All references to years in the notes to consolidated financial statements represent fiscal years.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

2. RECENT ACCOUNTING PRONOUNCEMENTS

As of September 29, 2023, there were no accounting pronouncements recently issued, or with future effective dates, that are either applicable nor are expected to have an impact to the Company's Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

3. REVENUES

The Company enters into contracts with its clients that contain various types of pricing provisions, including fixed price, time-and-materials, and unit-based provisions. The Company recognizes revenues in accordance with ASU 2014-09, Revenue from Contracts with Customer, codified as ASC Topic 606 and the related amendments (collectively “ASC 606”). As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The following table reflects the Company’s two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

Segment	Contract Type	Revenue Recognition Method
Energy	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Software license	Unit-based
	Fixed price	Percentage-of-completion
Engineering and Consulting	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Fixed price	Percentage-of-completion

Revenue on the vast majority of the Company’s contracts is recognized over time because of the continuous transfer of control to the customer. Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs incurred-to-date to estimated total direct costs at completion. The Company uses the percentage-of-completion method to better match the level of work performed at a certain point in time in relation to the effort that will be required to complete a project. In addition, the percentage-of-completion method is a common method of revenue recognition in the Company’s industry.

Many of the Company’s fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. The Company recognizes revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also includes in revenue all reimbursable costs incurred during a reporting period. Certain of the Company’s time-and-materials contracts are subject to maximum contract values and, accordingly, when revenue is expected to exceed the maximum contract value, these contracts are generally recognized under the percentage-of-completion method, consistent with fixed price contracts. For unit-based contracts, the Company recognizes the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue for amounts that have been billed but not earned is deferred, and such deferred revenue is referred to as contract liabilities in the accompanying condensed consolidated balance sheets. The Company also derives revenue from software licenses and professional services and maintenance fees. In accordance with ASC 606, the Company performs an assessment of each contract to identify the performance obligations, determine the overall transaction price for the contract, allocate the transaction price to the performance obligations, and recognize the revenue when the performance obligations are satisfied. The Company utilizes the residual approach by which it estimates the standalone selling price by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract. The software license revenue is typically recognized at a point in time when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, or technical support. Related professional services include training and support services in which the standalone selling price is determined based on an input measure of hours incurred to total estimated hours and is recognized over time, usually which is the life of the contract.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined contract should be accounted for as one performance obligation. With respect to the Company's contracts, it is rare that multiple contracts should be combined into a single performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

The Company may enter into contracts that include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, the Company evaluates if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue. Segmented contracts may comprise up to approximately 2.0% to 3.0% of the Company's consolidated contract revenue.

Contracts that cover multiple phases or elements of the project or service lifecycle (development, construction and maintenance and support) may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. For the periods presented, the value of the separate performance obligations under contracts with multiple performance obligations (generally measurement and verification tasks under certain energy performance contracts) were not material. In cases where the Company does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts the Company's expected costs of satisfying a performance obligation and then adds an appropriate margin for the distinct good or service.

The Company provides quality of workmanship warranties to customers that are included in the sale and are not priced or sold separately or do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications and industry standards. The Company does not consider these types of warranties to be separate performance obligations.

In some cases, the Company has a master service or blanket agreement with a customer under which each task order releases the Company to perform specific portions of the overall scope in the service contract. Each task order is typically accounted for as a separate contract because the task order establishes the enforceable rights and obligations, and payment terms.

Under ASC 606, variable consideration should be considered when determining the transaction price and estimates should be made for the variable consideration component of the transaction price, as well as assessing whether an estimate of variable consideration is constrained. For certain of the Company's contracts, variable consideration can arise from modifications to the scope of services resulting from unapproved change orders or customer claims. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, the Company's performance, and all information (historical, current and forecasted) that is reasonably available to the Company.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, the Company reviews and updates the Company's contract-related estimates regularly through a company-wide disciplined project review process in which management reviews the progress and execution of the Company's performance obligations and the estimate at completion ("EAC"). As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables.

The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the full amount of estimated loss in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights or obligations. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification that is not distinct from the existing contract on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

For contract modifications that result in the promise to deliver goods or services that are distinct from the existing contract and the increase in price of the contract is for the same amount as the standalone selling price of the additional goods or services included in the modification, the Company accounts for such contract modifications as a separate contract.

The Company includes claims to vendors, subcontractors and others as a receivable and a reduction in recognized costs when enforceability of the claim is established by the contract and the amounts are reasonably estimable and probable of being recovered. The amounts are recorded up to the extent of the lesser of the amounts management expects to recover or to costs incurred.

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition.

Direct costs of contract revenue consist primarily of that portion of technical and nontechnical salaries and wages that has been incurred in connection with revenue producing projects. Direct costs of contract revenue also include production expenses, subcontractor services and other expenses that are incurred in connection with revenue producing projects.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Direct costs of contract revenue exclude that portion of technical and nontechnical salaries and wages related to marketing efforts, vacations, holidays and other time not spent directly generating revenue under existing contracts. Such costs are included in general and administrative expenses. Additionally, payroll taxes, bonuses and employee benefit costs for all Company personnel are included in general and administrative expenses in the accompanying consolidated statements of comprehensive income since no allocation of these costs is made to direct costs of contract revenue. No allocation of facilities costs is made to direct costs of contract revenue. Other companies may classify as direct costs of contract revenue some of the costs that the Company classifies as general and administrative costs. The Company expenses direct costs of contract revenue when incurred.

Included in revenue and costs are all reimbursable costs for which the Company has the risk or on which the fee was based at the time of bid or negotiation. No revenue or cost is recorded for costs in which the Company acts solely in the capacity of an agent and has no risks associated with such costs.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based upon a review of all outstanding amounts on a quarterly basis. Management determines allowances for doubtful accounts through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience. The Company's historical credit losses have been minimal with governmental entities and large public utilities, but disputes may arise related to these receivable amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Retainage, included in contract assets, represents amounts withheld from billings to the Company's clients pursuant to provisions in the contracts and may not be paid to the Company until specific tasks are completed or the project is completed and, in some instances, for even longer periods. As of September 29, 2023 and December 30, 2022, contract assets included retainage of approximately \$14.3 million and \$8.5 million, respectively.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

4. SUPPLEMENTAL FINANCIAL STATEMENT DATA*Restricted Cash*

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows:

	September 29, 2023	December 30, 2022
	<i>(in thousands)</i>	
Cash and cash equivalents	\$ 12,887	\$ 8,806
Restricted cash	—	10,679
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	<u>\$ 12,887</u>	<u>\$ 19,485</u>

Under certain utility contracts, the Company periodically receives cash deposits to be held in trust for the payment of energy incentive rebates to be sent directly to the utility's end-customer on behalf of the utility. The Company acts solely as the utility's agent to distribute these funds to the end-customer and, accordingly, the Company classifies these contractually restricted funds as restricted cash. Because these funds are held in trust for pass through to the utility's customers and have no impact on the Company's working capital or operating cash flows, these cash receipts are presented in the consolidated statement of cash flows as financing cash inflows, "Receipt of restricted cash", with the subsequent payments classified as financing cash outflows, "Payment of restricted cash."

Equipment and Leasehold Improvements

	September 29, 2023	December 30, 2022
	<i>(in thousands)</i>	
Furniture and fixtures	\$ 4,338	\$ 4,062
Computer hardware and software	42,516	35,635
Leasehold improvements	3,382	3,097
Equipment under finance leases	5,885	5,503
Automobiles, trucks, and field equipment	3,154	3,134
Subtotal	59,275	51,431
Accumulated depreciation and amortization	(33,115)	(28,894)
Equipment and leasehold improvements, net	<u>\$ 26,160</u>	<u>\$ 22,537</u>

Included in accumulated depreciation and amortization is \$1.0 million and \$1.1 million of amortization expense related to equipment held under finance leases for the nine months ended September 29, 2023 and for fiscal year 2022, respectively.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Accrued Liabilities

	September 29, 2023	December 30, 2022
	<i>(in thousands)</i>	
Accrued subcontractor costs	\$ 25,607	\$ 28,374
Accrued bonuses	10,534	8,470
Employee withholdings	3,195	2,571
Compensation and payroll taxes	3,858	2,340
Rebate and other	118	14,643
Accrued accounting and taxes	2,461	2,712
Total accrued liabilities	\$ 45,773	\$ 59,110

Goodwill

	December 30, 2022	Additional Purchase Cost	Additions / Adjustments	September 29, 2023
	<i>(in thousands)</i>			
Reporting Unit:				
Energy	\$ 129,375	\$ —	\$ —	\$ 129,375
Engineering and Consulting	749	1,020	—	1,769
	<u>\$ 130,124</u>	<u>\$ 1,020</u>	<u>\$ —</u>	<u>\$ 131,144</u>

The Company tests its goodwill at least annually for possible impairment. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is a potential impairment. In addition to the Company's annual test, it regularly evaluates whether events and circumstances have occurred that may indicate a potential impairment of goodwill. During the quarter ended September 29, 2023, although the Company experienced declines in the market price of its stock, such decreases did not result in the Company's market capitalization decreasing below book value. The Company evaluated the current economic environment and noted that it does not believe it is more likely than not that goodwill was impaired as of September 29, 2023.

Intangible Assets

	September 29, 2023		December 30, 2022		Amortization Period <i>(in years)</i>
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	
	<i>(in thousands)</i>				
Finite:					
Backlog	\$ 8,306	\$ 8,004	\$ 7,944	\$ 7,944	1.0
Tradename	15,936	12,453	15,911	10,990	2.5 - 6.0
Non-compete agreements	1,613	1,428	1,420	1,420	4.0 - 5.0
Developed technology	15,810	14,062	15,810	11,871	8.0
Customer relationships	58,149	29,712	58,149	25,523	5.0 - 8.0
Total intangible assets	\$ 99,814	\$ 65,659	\$ 99,234	\$ 57,748	

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

5. DEBT OBLIGATIONS

Debt obligations, excluding obligations under finance leases (see Note 6, *Leases*, below), consisted of the following:

	September 29, 2023	December 30, 2022
	<i>(in thousands)</i>	
<i>New Credit Facilities</i>		
Outstanding borrowings on Term Loan	\$ 100,000	\$ —
Outstanding borrowings on Revolving Credit Facility	—	—
<i>Prior Credit Facilities</i>		
Outstanding borrowings on Term A Loan	—	65,000
Outstanding borrowings on Revolving Credit Facility	—	—
Outstanding borrowings on Delayed Draw Term Loan	—	41,000
Other debt agreements	495	1,958
Total debt	100,495	107,958
Issuance costs and debt discounts	(1,114)	(511)
Subtotal	99,381	107,447
Less current portion of long-term debt	7,995	16,903
Long-term debt portion	<u>\$ 91,386</u>	<u>\$ 90,544</u>

New Credit Facilities

On September 29, 2023 (the “Closing Date”), the Company and certain of its subsidiaries entered into a credit agreement (the “Credit Agreement”) with a syndicate of financial institutions as lenders and BMO Bank, N.A. (“BMO”), as administrative agent. The Credit Agreement replaced the Company’s Amended and Restated Credit Agreement, dated as of June 26, 2019, (as amended, the “Prior Credit Agreement”), by and among the Company, the guarantors party thereto, BMO as administrative agent and lender and the lenders party thereto.

The Credit Agreement provides for (i) a \$100.0 million term loan (the “Term Loan”) and (ii) a \$50.0 million revolving credit facility (the “Revolving Credit Facility”, and collectively with the Term Loan, the “Credit Facilities”), each maturing on September 29, 2026. The Company may also request lenders to add incremental term loans or increase the aggregate commitment under the Revolving Credit Facility by an aggregate amount of up to \$75.0 million, subject to meeting certain conditions, and only if the lenders agree to provide such additional term loans or revolving commitments.

Borrowings under the Credit Facilities bear interest at either a Base Rate (as defined in the Credit Agreement) or the adjusted Secured Overnight Financing Rate (“SOFR”), at the Company’s option, and in each case, plus an applicable margin, which applicable margin ranges from 0.75% to 2.00% with respect to Base Rate borrowings and 1.75% to 3.00% with respect to SOFR borrowings, depending on the Company’s Total Net Leverage Ratio (as defined in the Credit Agreement); provided, that SOFR and the Base Rate cannot be less than 0.00%, with the specific pricing reset on each date on which the Administrative Agent receives the required financial statements under the Credit Agreement for the fiscal quarter then ended. The Company must also pay a commitment fee for the unused portion of the Revolving Credit Facility, which ranges from 0.20% to 0.40% per annum depending on the Company’s Total Net Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the Revolving Credit Facility, which range from 1.3125% to 2.25% per annum, in each case, depending on the Company’s Total Net Leverage Ratio, as well as customary fronting fees payable to BMO as letter of credit issuer. In connection with the closing of the Credit Facilities, the Company paid certain other fees and expenses.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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The Term Loan will amortize quarterly in an amount equal to (i) 7.5% per annum for the first year ending after the Closing Date and (ii) 10.0% per annum for the second and third years ending after the Closing Date, with a final payment of all then remaining principal and interest due on the maturity date of September 29, 2026. The amounts outstanding under the Credit Facilities may be prepaid in whole or in part at any time without penalty (other than customary breakage costs).

The Term Loan issuance costs are amortized to interest expense over the term of the loan, and as of September 29, 2023, issuance costs of \$1.1 million remained unamortized. The Revolving Credit Facility issuance costs of \$0.5 million are included in assets in the accompanying Condensed Consolidated Balance Sheets.

Willdan Group, Inc. is the borrower under the Credit Agreement and its obligations under the Credit Agreement are guaranteed by its present and future domestic subsidiaries (other than inactive subsidiaries). In addition, subject to certain exceptions, all such obligations are secured by substantially all of the assets of Willdan Group, Inc. and the subsidiary guarantors (other than inactive subsidiaries).

The Credit Agreement requires compliance with financial covenants, including a maximum Net Leverage Ratio and a minimum Fixed Charge Coverage Ratio (as defined in the Credit Agreement). The Credit Agreement also contains customary restrictive covenants, including (i) restrictions on the incurrence of additional indebtedness and additional liens on property, (ii) restrictions on permitted acquisitions and other investments and (iii) limitations on asset sales, mergers and acquisitions. Further, the Credit Agreement limits the Company's payment of future dividends and distributions and share repurchases by the Company. Subject to certain exceptions, the borrowings under the Credit Agreement are also subject to mandatory prepayment from (a) any issuances of debt or equity securities, (b) any sale or disposition of assets, (c) insurance and condemnation proceeds, and (d) a percentage of excess cash flow. The Credit Agreement includes customary events of default.

As of September 29, 2023, the Company was in compliance with all covenants contained in the Credit Agreement. In addition, as of September 29, 2023, the Company's composite interest rate, exclusive of the effects of upfront fees, undrawn fees and issuance cost amortization, was 8.4%.

Prior Credit Facilities

On June 26, 2019, the Company and certain of its subsidiaries entered into the Prior Credit Agreement with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A., as administrative agent (the "Administrative Agent"). The Prior Credit Agreement provided for (i) a \$100.0 million secured term loan (the "Term A Loan"), (ii) up to \$50.0 million in delayed draw secured term loans (the "Delayed Draw Term Loan"), and (iii) a \$50.0 million secured revolving credit facility (the "Revolving Credit Facility" and, collectively with the Term A Loan and the Delayed Draw Term Loan, the "Prior Credit Facilities"), each maturing on June 26, 2024. The Company's obligations under the Prior Credit Agreement were guaranteed by its present and future domestic subsidiaries, with limited exceptions.

Pursuant to the terms of the Seventh Amendment to the Prior Credit Agreement (the "Seventh Amendment"), among other things, (A) aggregate borrowings under the Revolving Credit Facility were restricted to no more than \$10.0 million at any time during the period from November 1, 2022 through the date on which financial statements and compliance documents were received by the Administrative Agent for the fiscal quarter ending March 31, 2023, and (B) access to the accordion feature of the Prior Credit Agreement was limited to periods when the Company's Total Leverage Ratio (as defined in the Prior Credit Agreement) was less than 3.0.

On April 28, 2023, the Company delivered to the Administrative Agent the required financial statements and compliance documents for the fiscal quarter ending March 31, 2023, reflecting full compliance with the restrictive covenants under the Prior Credit Agreement, and thus effectively terminating the limitations on borrowing capacity and other restrictions imposed under the terms set by the Seventh Amendment.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Effective April 28, 2023, borrowings under the Prior Credit Agreement bore interest at either a Base Rate (as defined in the Prior Credit Agreement) or the SOFR, at the Company's option, and in each case, plus an applicable margin, which applicable margin ranged from 0.125% to 1.25% with respect to Base Rate borrowings and 1.125% to 2.25% with respect to SOFR borrowings, depending on the Total Leverage Ratio; provided, that SOFR could not be less than 0.00%, with the specific pricing reset on each date on which the Administrative Agent received the required financial statements under the Prior Credit Agreement for the fiscal quarter then ended. The Company was obligated to also pay a commitment fee for the unused portion of the Revolving Credit Facility and the Delayed Draw Term Loan under the Prior Credit Agreement, which ranged from 0.15% to 0.40% per annum depending on the Total Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the Revolving Credit Facility, which ranged from 0.84% to 1.688% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Total Leverage Ratio.

The Prior Credit Agreement required the Company to comply with certain financial covenants, including requiring that the Company maintain a (i) Total Leverage Ratio of at least 3.25 to 1.00, and (ii) Fixed Charge Coverage Ratio (as defined in the Prior Credit Agreement) of not less than 1.20 to 1.00, in each case tested quarterly. The Prior Credit Agreement also contained customary events of default and contains other customary restrictive covenants.

Other Debt Agreements

The Company's other debt agreements are related to financed insurance premiums, a financed software agreement, and a utility customer agreement, and are immaterial to the Company's Condensed Consolidated Financial Statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

6. LEASES

The Company leases certain office facilities under long-term, non-cancellable operating leases that expire at various dates through the year 2028. In addition, the Company is obligated under finance leases for certain furniture and office equipment that expire at various dates through the year 2028.

From time to time, the Company enters into non-cancelable leases for some of its facility and equipment needs. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of facilities and equipment rather than purchasing them. The Company's leases typically have remaining terms ranging from one to eight years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Currently, all of the Company's leases contain fixed payment terms. The Company may decide to cancel or terminate a lease before the end of its term, in which case the Company is typically liable to the lessor for the remaining lease payments under the term of the lease. Additionally, all of the Company's month-to-month leases are cancelable by the Company or the lessor, at any time, and are not included in the Company's right-of-use asset or lease liability. As of September 29, 2023, the Company had no leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive. Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification in accordance with ASC Topic 842-10-25. Leases are accounted for as operating or financing leases, depending on the terms of the lease.

Financing Leases

The Company leases certain equipment under financing leases. The economic substance of the leases is a financing transaction for acquisition of equipment and leasehold improvements. Accordingly, the right-of-use assets for these leases are included in the balance sheets in equipment and leasehold improvements, net of accumulated depreciation, with a corresponding amount recorded in current portion of financing lease obligations or noncurrent portion of financing lease obligations, as appropriate. The financing lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense. The interest associated with financing lease obligations is included in interest expense.

Right-of-use assets

Operating leases are included in right-of-use assets, and current portion of lease liability and noncurrent portion of lease liability, as appropriate. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate to calculate present value, the Company determines this rate by estimating the Company's incremental borrowing rate at the lease commencement date. The right-of-use asset also includes any lease payments made and initial direct costs incurred at lease commencement and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

The following is a summary of the Company's lease expense:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 29,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>	<u>September 29,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Operating lease cost	\$ 1,464	\$ 1,523	\$ 4,621	\$ 4,635
Sublease Income	(30)	-	(30)	-
Finance lease cost:				
Amortization of assets	340	311	969	799
Interest on lease liabilities	28	22	74	51
Total net lease cost	<u>\$ 1,802</u>	<u>\$ 1,856</u>	<u>\$ 5,634</u>	<u>\$ 5,485</u>

The following is a summary of lease information presented on the Company's consolidated balance sheet:

	<u>September 29,</u> <u>2023</u>	<u>December 30,</u> <u>2022</u>
	<i>(in thousands)</i>	
Operating leases:		
Right-of-use assets	<u>\$ 12,695</u>	<u>\$ 12,390</u>
Lease liability	\$ 4,729	\$ 4,625
Lease liability, less current portion	9,829	8,599
Total lease liabilities	<u>\$ 14,558</u>	<u>\$ 13,224</u>
Finance leases (included in equipment and leasehold improvements, net):		
Equipment and leasehold improvements, net	\$ 5,885	\$ 5,503
Accumulated depreciation	(3,529)	(2,830)
Total equipment and leasehold improvements, net	<u>\$ 2,356</u>	<u>\$ 2,673</u>
Finance lease obligations	\$ 1,166	\$ 1,113
Finance lease obligations, less current portion	1,249	1,601
Total finance lease obligations	<u>\$ 2,415</u>	<u>\$ 2,714</u>
Weighted average remaining lease term (in years):		
Operating Leases	3.47	3.35
Finance Leases	2.40	2.66
Weighted average discount rate:		
Operating Leases	5.83 %	4.25 %
Finance Leases	4.61 %	3.47 %

Rent expense was \$1.7 million and \$5.1 million for the three and nine months ended September 29, 2023, respectively, as compared to \$1.6 million and \$4.9 million for the three and nine months ended September 30, 2022, respectively.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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The following is a summary of other information and supplemental cash flow information related to finance and operating leases:

	Nine Months Ended	
	September 29, 2023	September 30, 2022
	<i>(in thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 4,318	\$ 4,879
Operating cash flow from finance leases	74	51
Financing cash flow from finance leases	951	827
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 4,316	\$ 1,706

The following is a summary of the maturities of lease liabilities as of September 29, 2023:

	Operating	Finance
	<i>(in thousands)</i>	
Fiscal year:		
Remainder of 2023	\$ 1,494	\$ 363
2024	4,999	1,195
2025	3,994	598
2026	3,369	293
2027	1,519	103
2028 and thereafter	816	9
Total lease payments	16,191	2,561
Less: Imputed interest	(1,633)	(146)
Total lease obligations	14,558	2,415
Less: Current obligations	4,729	1,166
Noncurrent lease obligations	\$ 9,829	\$ 1,249

The imputed interest for finance lease obligations represents the interest component of finance leases that will be recognized as interest expense in future periods. The financing component for operating lease obligations represents the effect of discounting the operating lease payments to their present value.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

7. COMMITMENTS AND VARIABLE INTEREST ENTITIES

Employee Benefit Plans

The Company has a qualified profit sharing plan pursuant to Code Section 401(a) and qualified cash or deferred arrangement pursuant to Code Section 401(k) covering all employees. Employees may elect to contribute up to 50% of their compensation limited to the amount allowed by tax laws. Company contributions are made solely at the discretion of the Company's board of directors.

The Company's defined contribution plan (the "Plan") covers employees who have completed three months of service and who have attained 21 years of age. The Company elects to make matching contributions equal to 50% of the participants' contributions to the Plan, up to 6% of the individual participant's compensation, and subject to a maximum of \$3,000 per employee. Under the Plan, the Company may make discretionary contributions to employee accounts. During the nine months ended September 29, 2023 and September 30, 2022, the Company made matching contributions of \$1.9 million and \$2.0 million, respectively.

Variable Interest Entities

On March 4, 2016, the Company and the Company's wholly-owned subsidiary, WES, acquired substantially all of the assets of Genesys and assumed certain specified liabilities of Genesys (collectively, the "Purchase") pursuant to an Asset Purchase and Merger Agreement, dated as of February 26, 2016 (the "Agreement"), by and among Willdan Group, Inc., WES, WESGEN (as defined below), Genesys and Ronald W. Mineo ("Mineo") and Robert J. Braun ("Braun" and, together with Mineo, the "Genesys Shareholders"). On March 5, 2016, pursuant to the terms of the Agreement, WESGEN, Inc., a non-affiliated corporation ("WESGEN"), merged (the "Merger" and, together with the Purchase, the "Acquisition") with Genesys, with Genesys remaining as the surviving corporation. Genesys was acquired to strengthen the Company's power engineering capability in the northeastern U.S., and also to increase client exposure and experience with universities.

Genesys continues to be a professional corporation organized under the laws of the State of New York, wholly-owned by one or more licensed engineers. Pursuant to New York law, the Company does not own capital stock of Genesys. The Company has entered into an agreement with the Shareholder of Genesys pursuant to which the Shareholder will be prohibited from selling, transferring or encumbering the Shareholder's ownership interest in Genesys without the Company's consent. Notwithstanding the Company's rights regarding the transfer of Genesys's stock, the Company does not have control over the professional decision making of Genesys's engineering services. The Company has entered into an administrative services agreement with Genesys pursuant to which WES will provide Genesys with ongoing administrative, operational and other non-professional support services. Genesys pays WES a service fee, which consists of all of the costs incurred by WES to provide the administrative services to Genesys plus ten percent of such costs, as well as any other costs that relate to professional service supplies and personnel costs. As a result of the administrative services agreement, the Company absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES.

The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys's performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE. In addition, the Company concluded there is no noncontrolling interest related to the consolidation of Genesys because the Company determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder. As of September 29, 2023, the Company had one VIE — Genesys.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

8. SEGMENT AND GEOGRAPHICAL INFORMATION

Segment Information

The Company's two segments are Energy, and Engineering and Consulting, and the Company's chief operating decision maker, which continues to be its chief executive officer, receives and reviews financial information in this format.

There were no intersegment sales during the three and nine months ended September 29, 2023 and September 30, 2022. The Company's chief operating decision maker evaluates the performance of each segment based upon income or loss from operations before income taxes. Certain segment asset information including expenditures for long-lived assets has not been presented as it is not reported to or reviewed by the chief operating decision maker. In addition, enterprise-wide service line contract revenue is not included as it is impracticable to report this information for each group of similar services.

Financial information with respect to the reportable segments and reconciliation to the amounts reported in the Company's Condensed Consolidated Financial Statements is as follows:

	Energy	Engineering & Consulting	Unallocated Corporate	Intersegment	Consolidated Total
	<i>(in thousands)</i>				
Fiscal Three Months Ended September 29, 2023					
Contract revenue	\$ 111,030	\$ 21,708	\$ -	\$ -	\$ 132,738
Depreciation and amortization	3,854	336	-	-	4,190
Interest expense, net	2	-	2,435	-	2,437
Segment profit (loss) before income tax expense	2,814	2,853	(3,388)	-	2,279
Income tax expense (benefit)	852	728	(867)	-	713
Net income (loss)	1,961	2,127	(2,522)	-	1,566
Segment assets ⁽¹⁾	340,422	26,901	57,427	(23,130)	401,620
Fiscal Three Months Ended September 30, 2022					
Contract revenue	\$ 102,625	\$ 18,774	\$ -	\$ -	\$ 121,399
Depreciation and amortization	4,166	239	-	-	4,405
Interest expense, net	3	-	1,432	-	1,435
Segment profit (loss) before income tax expense	(1,815)	3,473	(3,108)	-	(1,450)
Income tax expense (benefit)	(1,565)	1,781	(1,742)	-	(1,526)
Net income (loss)	(250)	1,692	(1,366)	-	76
Segment assets ⁽¹⁾	336,036	22,630	59,575	(23,130)	395,111
Fiscal Nine Months Ended September 29, 2023					
Contract revenue	\$ 292,330	\$ 62,088	\$ -	\$ -	\$ 354,418
Depreciation and amortization	11,655	863	-	-	12,518
Interest expense, net	5	-	7,105	-	7,110
Segment profit (loss) before income tax expense	6,188	8,658	(10,239)	-	4,607
Income tax expense (benefit)	2,300	3,218	(3,806)	-	1,712
Net income (loss)	3,888	5,440	(6,433)	-	2,895
Segment assets ⁽¹⁾	340,422	26,901	57,427	(23,130)	401,620
Fiscal Nine Months Ended September 30, 2022					
Contract revenue	\$ 262,186	\$ 53,696	\$ -	\$ -	\$ 315,882
Depreciation and amortization	12,506	734	-	-	13,240
Interest expense, net	8	-	3,208	-	3,216
Segment profit (loss) before income tax expense	(12,525)	8,111	(9,197)	-	(13,611)
Income tax expense (benefit)	(5,143)	3,330	(3,775)	-	(5,588)
Net income (loss)	(7,382)	4,780	(5,421)	-	(8,023)
Segment assets ⁽¹⁾	336,036	22,630	59,575	(23,130)	395,111

⁽¹⁾ Segment assets are presented net of intercompany receivables.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

The following tables provide information about disaggregated revenue by contract type, client type and geographical region:

	Three months ended September 29, 2023		
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 9,382	\$ 16,629	\$ 26,011
Unit-based	42,119	4,182	46,301
Fixed price	59,529	897	60,426
Total ⁽¹⁾	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
Client Type			
Commercial	\$ 7,448	\$ 1,588	\$ 9,036
Government	52,410	20,054	72,464
Utilities ⁽²⁾	51,172	66	51,238
Total ⁽¹⁾	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
Geography ⁽³⁾			
Domestic	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
	Nine months ended September 29, 2023		
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 26,038	\$ 47,626	\$ 73,664
Unit-based	126,946	11,616	138,562
Fixed price	139,346	2,846	142,192
Total ⁽¹⁾	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>
Client Type			
Commercial	\$ 21,607	\$ 4,128	\$ 25,735
Government	119,028	57,759	176,787
Utilities ⁽²⁾	151,695	201	151,896
Total ⁽¹⁾	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>
Geography ⁽³⁾			
Domestic	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

	Three months ended September 30, 2022		
	Energy	Engineering and Consulting	Total
	(in thousands)		
Contract Type			
Time-and-materials	\$ 7,468	\$ 13,880	\$ 21,348
Unit-based	43,039	3,791	46,830
Fixed price	52,118	1,103	53,221
Total ⁽¹⁾	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
Client Type			
Commercial	\$ 6,848	\$ 1,376	\$ 8,224
Government	48,073	17,348	65,421
Utilities ⁽²⁾	47,704	50	47,754
Total ⁽¹⁾	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
Geography ⁽³⁾			
Domestic	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
	Nine months ended September 30, 2022		
	Energy	Engineering and Consulting	Total
	(in thousands)		
Contract Type			
Time-and-materials	\$ 23,873	\$ 40,221	\$ 64,094
Unit-based	128,540	10,530	139,070
Fixed price	109,773	2,945	112,718
Total ⁽¹⁾	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>
Client Type			
Commercial	\$ 21,638	\$ 4,330	\$ 25,968
Government	96,293	49,139	145,432
Utilities ⁽²⁾	144,255	227	144,482
Total ⁽¹⁾	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>
Geography ⁽³⁾			
Domestic	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>

(1) Amounts may not add to the totals due to rounding.

(2) Includes the portion of revenue related to small business programs paid by the end user/customer.

(3) Revenue from the Company's foreign operations were not material for the three and nine months ended September 29, 2023 and September 30, 2022.

Geographical Information

Substantially all of the Company's consolidated revenue was derived from its operations in the U.S. The Company operates through a network of offices spread across 22 U.S. states, the District of Columbia, the Commonwealth of Puerto Rico, and Canada. Revenues from the Company's Puerto Rican and Canadian operations were not material for the three and nine months ended September 29, 2023 nor the three and nine months ended September 30, 2022.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Customer Concentration

For the three and nine months ended September 29, 2023, the Company's top 10 customers accounted for 52.9%, and 50.6%, respectively, of the Company's consolidated contract revenue. For the three and nine months ended September 30, 2022, the Company's top 10 customers accounted for 57.2%, and 54.5%, respectively, of the Company's consolidated contract revenue.

For the three and nine months ended September 29, 2023, the Company had no individual customer that accounted for more than 10% of its consolidated contract revenue. For the three months ended September 30, 2022, the Company had one customer, Pueblo County School District, that accounted for 13.3% of its consolidated contract revenues. For the nine months ended September 30, 2022, the Company had one customer, the Los Angeles Department of Water and Power ("LADWP"), that accounted for 13.2% of its consolidated contract revenues.

On a segment basis, the Company had individual customers that accounted for more than 10% of its segment contract revenues.

For the three months ended September 29, 2023, the Company derived 21.7% of its Energy segment revenues from two customers, Pueblo County School District and Dormitory Authority State of New York ("DASNY"). For the nine months ended September 29, 2023, the Company derived 22.7% of its Energy Segment revenues from two customers, LADWP and DASNY. For the three months ended September 30, 2022, the Company derived 38.3% of its Energy segment revenues from three customers, Pueblo County School District, DASNY and LADWP. For the nine months ended September 30, 2022, the Company derived 26.5% of its Energy segment revenues from two customers, LADWP and Pueblo County School District.

For the three and nine months ended September 29, 2023, no single customer accounted for 10% or more of the Company's Engineering and Consulting segment revenues. For the three and nine months ended September 30, 2022, no single customer accounted for 10% or more of the Company's Engineering and Consulting segment revenues.

On a geographical basis, the Company's largest clients are based in California and New York. For the three and nine months ended September 29, 2023, services provided to clients in California accounted for 42.8% and 42.2%, respectively, of the Company's contract revenue and services provided to clients in New York accounted for 23.6% and 24.7%, respectively, of the Company's contract revenue. For the three and nine months ended September 30, 2022, services provided to clients in California accounted for 37.2% and 40.3%, respectively, of the Company's contract revenue and services provided to clients in New York accounted for 23.4% and 21.4%, respectively, of the Company's contract revenue.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

9. INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities, subject to a judgmental assessment of the recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for valuation allowances and includes the evaluation of historical income (loss) adjusted for the effects of non-recurring items and the impact of recent business combinations. Areas of estimation include the Company's consideration of future taxable income which is driven by verifiable signed contracts and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

At the end of fiscal year 2022, the Company's total valuation allowance was \$1.2 million, remaining unchanged from the end of fiscal year 2021. As of September 29, 2023, the Company assessed all available positive and negative evidence available to determine whether, based on the weight of that evidence, there was a change in judgment related to the utilization of deferred tax assets in future years. The Company concluded that as of September 29, 2023, the valuation allowance for the Company's deferred tax assets was appropriate in accordance with ASC 740. Consequently, there was no change to the valuation allowance during the three and nine months ended September 29, 2023.

For acquired business entities, if the Company identifies changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment, and the Company records the offset to goodwill. The Company records all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the three and nine months ended September 29, 2023, and the three and nine months ended September 30, 2022, the Company did not record a liability for uncertain tax positions.

Based on the Company's estimates and determination of an effective tax rate for the year, the Company recorded an income tax expense of \$0.7 million and \$1.7 million for the three and nine months ended September 29, 2023, respectively, as compared to an income tax benefit of \$1.5 million and \$5.6 million for the three and nine months ended September 30, 2022, respectively. During the three and nine months ended September 29, 2023, the difference between the effective tax rate and the federal statutory rate was primarily attributable to state taxes, non-deductible stock compensation, nondeductible executive compensation, research and development tax credits, and the commercial building energy efficiency deduction. During the three and nine months ended September 30, 2022, the difference between the effective tax rate and the federal statutory rate was primarily attributable to state taxes, non-deductible stock compensation, nondeductible executive compensation, research and development tax credits, and the commercial building energy efficiency deduction.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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10. EARNINGS PER SHARE (“EPS”)

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive potential common shares for the period. Potential common shares include the weighted-average dilutive effects of outstanding stock options and restricted stock awards using the treasury stock method.

The following table sets forth the number of weighted-average common shares outstanding used to compute basic and diluted EPS:

	Three months ended		Nine months ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
	<i>(in thousands, except per share amounts)</i>			
Net income (loss)	\$ 1,566	\$ 76	\$ 2,895	\$ (8,023)
Weighted-average common shares outstanding	13,462	13,110	13,357	12,971
Effect of dilutive stock options and restricted stock awards	247	250	206	—
Weighted-average common shares outstanding-diluted	13,709	13,360	13,563	12,971
Earnings (Loss) per share:				
Basic	\$ 0.12	\$ 0.01	\$ 0.22	\$ (0.62)
Diluted	\$ 0.11	\$ 0.01	\$ 0.21	\$ (0.62)

For the three and nine months ended September 29, 2023, the Company excluded 363,000 and 389,000 common shares, respectively, subject to outstanding equity awards from the calculation of diluted shares because their impact would have been anti-dilutive. For the three months ended September 30, 2022, the Company excluded 401,000 common shares subject to outstanding equity awards from the calculation of diluted shares because their impact would have been anti-dilutive. For the nine months ended September 30, 2022, the Company reported a net loss and, accordingly, all outstanding equity awards have been excluded from such periods because including them would have been anti-dilutive.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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11. CONTINGENCIES

Claims and Lawsuits

The Company is subject to claims and lawsuits from time to time, including those alleging professional errors or omissions that arise in the ordinary course of business against firms that operate in the engineering and consulting professions. The Company carries professional liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss.

In accordance with accounting standards regarding loss contingencies, the Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and discloses the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company's financial statements not to be misleading. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

Because litigation outcomes are inherently unpredictable, the Company's evaluation of legal proceedings often involves a series of complex assessments by management about future events and can rely heavily on estimates and assumptions. If the assessments indicate that loss contingencies that could be material to any one of the Company's financial statements are not probable, but are reasonably possible, or are probable, but cannot be estimated, then the Company will disclose the nature of the loss contingencies, together with an estimate of the possible loss or a statement that such loss is not reasonably estimable. While the consequences of certain unresolved proceedings are not presently determinable, and a reasonable estimate of the probable and reasonably possible loss or range of loss in excess of amounts accrued for such proceedings cannot be made, an adverse outcome from such proceedings could have a material adverse effect on the Company's earnings in any given reporting period. However, in the opinion of the Company's management, after consulting with legal counsel, and taking into account insurance coverage, the ultimate liability related to current outstanding claims and lawsuits is not expected to have a material adverse effect on the Company's financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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12. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, Subsequent Events, the Company evaluates subsequent events up until the date the Condensed Consolidated Financial Statements are issued. As of November 2, 2023, there were no subsequent events required to be reported.

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

Our Company

We are a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resource and infrastructure needs undergo continuous change, we help organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions, greenhouse gas reduction, and government infrastructure. Through engineering, program management, policy advisory, and software and data management, we plan, design and deliver trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure to our clients.

Our broad portfolio of services operates within two financial reporting segments: (1) Energy and (2) Engineering and Consulting. The interfaces and synergies between these segments are important elements of our strategy to design and deliver trusted, comprehensive, innovative, and proven solutions and services for our customers.

Our Energy segment provides specialized, innovative, comprehensive energy solutions to businesses, utilities, state agencies, municipalities, and non-profit organizations in the U.S. Our experienced engineers, consultants, and staff help our clients realize cost and energy savings by tailoring efficient and cost-effective solutions to assist in optimizing energy spend. Our energy efficiency services include comprehensive audit and surveys, program design, master planning, demand reduction, grid optimization, benchmarking analyses, design engineering, construction management, performance contracting, installation, alternative financing, measurement and verification services, and advances in software and data analytics for long-term planning.

Our Engineering and Consulting segment provides civil engineering-related construction management, building and safety, city engineering office management, city planning, civil design, geotechnical, material testing and other engineering consulting services to our clients. Our engineering services include traffic, bridges, rail, port, water, mining and other civil engineering projects. We also provide economic and financial consulting to public agencies. Lastly, we supplement the engineering services that we offer our clients by offering expertise and support for the various financing techniques public agencies utilize to finance their operations and infrastructure. We also support the mandated reporting and other requirements associated with these financings. We provide financial advisory services for municipal securities but do not provide underwriting services.

Key Developments

New Credit Facilities

On September 29, 2023 (the "Closing Date"), we and certain of our subsidiaries entered into a credit agreement (the "Credit Agreement") with a syndicate of financial institutions as lenders and BMO Bank, N.A. ("BMO"), as administrative agent. The Credit Agreement replaced our Amended and Restated Credit Agreement, dated as of June 26, 2019, (as amended, the "Prior Credit Agreement"), by and among the Company, the guarantors party thereto, BMO as administrative agent and lender and the lenders party thereto. For more information about our indebtedness, see Part I, Item 1, Note 5, "Debt Obligations", and Part I, Item 3, "Quantitative and Qualitative Disclosures About Market Risk".

Results of Operations

Third Quarter and Nine Months Overview

The following table sets forth, for the periods indicated, certain information derived from our consolidated statements of comprehensive income⁽¹⁾:

	September 29,		September 30,		\$ Change	% Change
	2023		2022			
	<i>(in thousands, except percentages)</i>					
Contract revenue	\$ 132,738	100.0 %	\$ 121,399	100.0 %	\$ 11,339	9.3 %
Direct costs of contract revenue:						
Salaries and wages	21,856	16.5	21,420	17.6	436	2.0
Subcontractor services and other direct costs	67,454	50.8	62,457	51.4	4,997	8.0
Total direct costs of contract revenue	89,310	67.3	83,877	69.1	5,433	6.5
Gross profit	43,428	32.7	37,522	30.9	5,906	15.7
General and administrative expenses:						
Salaries and wages, payroll taxes and employee benefits	23,805	17.9	20,373	16.8	3,432	16.8
Facilities and facilities related	2,303	1.7	2,228	1.8	75	3.4
Stock-based compensation	1,244	0.9	1,607	1.3	(363)	(22.6)
Depreciation and amortization	4,190	3.2	4,405	3.6	(215)	(4.9)
Other	8,049	6.1	9,664	8.0	(1,615)	(16.7)
Total general and administrative expenses	39,591	29.8	38,277	31.5	1,314	3.4
Income (loss) from operations	3,837	2.9	(755)	(0.6)	4,592	608.2
Other income (expense):						
Interest expense	(2,437)	(1.8)	(1,435)	(1.2)	(1,002)	69.8
Other, net	879	0.7	740	0.6	139	18.8
Total other income (expense)	(1,558)	(1.2)	(695)	(0.6)	(863)	124.2
Income (Loss) before income tax expense	2,279	1.7	(1,450)	(1.2)	3,729	257.2
Income tax expense (benefit)	713	0.5	(1,526)	(1.3)	2,239	(146.7)
Net income (loss)	\$ 1,566	1.2	\$ 76	0.1	\$ 1,490	1,960.5

⁽¹⁾ Percentages are expressed as a percentage of contract revenue and may not total due to rounding.

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	Nine Months Ended				\$ Change	% Change
	September 29, 2023		September 30, 2022			
	<i>(in thousands, except percentages)</i>					
Contract revenue	\$ 354,418	100.0 %	\$ 315,882	100.0 %	\$ 38,536	12.2 %
Direct costs of contract revenue:						
Salaries and wages	63,568	17.9	61,514	19.5	2,054	3.3
Subcontractor services and other direct costs	165,508	46.7	153,896	48.7	11,612	7.5
Total direct costs of contract revenue	<u>229,076</u>	<u>64.6</u>	<u>215,410</u>	<u>68.2</u>	<u>13,666</u>	<u>6.3</u>
Gross profit	<u>125,342</u>	<u>35.4</u>	<u>100,472</u>	<u>31.8</u>	<u>24,870</u>	<u>24.8</u>
General and administrative expenses:						
Salaries and wages, payroll taxes and employee benefits	68,606	19.4	60,169	19.0	8,437	14.0
Facilities and facilities related	7,200	2.0	6,999	2.2	201	2.9
Stock-based compensation	4,064	1.1	6,626	2.1	(2,562)	(38.7)
Depreciation and amortization	12,518	3.5	13,240	4.2	(722)	(5.5)
Other	22,629	6.4	25,099	7.9	(2,470)	(9.8)
Total general and administrative expenses	<u>115,017</u>	<u>32.5</u>	<u>112,133</u>	<u>35.5</u>	<u>2,884</u>	<u>2.6</u>
Income (loss) from operations	<u>10,325</u>	<u>2.9</u>	<u>(11,661)</u>	<u>(3.7)</u>	<u>21,986</u>	<u>188.5</u>
Other income (expense):						
Interest expense	(7,110)	(2.0)	(3,216)	(1.0)	(3,894)	121.1
Other, net	1,392	0.4	1,266	0.4	126	10.0
Total other income (expense)	<u>(5,718)</u>	<u>(1.6)</u>	<u>(1,950)</u>	<u>(0.6)</u>	<u>(3,768)</u>	<u>193.2</u>
Income (Loss) before income tax expense	4,607	1.3	(13,611)	(4.3)	18,218	133.8
Income tax expense (benefit)	1,712	0.5	(5,588)	(1.8)	7,300	(130.6)
Net income (loss)	<u>\$ 2,895</u>	<u>0.8</u>	<u>\$ (8,023)</u>	<u>(2.5)</u>	<u>\$ 10,918</u>	<u>136.1</u>

(1) Percentages are expressed as a percentage of contract revenue and may not total due to rounding.

The following tables provides information about disaggregated revenue of our two segments, Energy and Engineering and Consulting, by contract type, client type and geographical region:

Three months ended September 29, 2023			
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 9,382	\$ 16,629	\$ 26,011
Unit-based	42,119	4,182	46,301
Fixed price	59,529	897	60,426
Total ⁽¹⁾	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
Client Type			
Commercial	\$ 7,448	\$ 1,588	\$ 9,036
Government	52,410	20,054	72,464
Utilities ⁽²⁾	51,172	66	51,238
Total ⁽¹⁾	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
Geography ⁽³⁾			
Domestic	<u>\$ 111,030</u>	<u>\$ 21,708</u>	<u>\$ 132,738</u>
Nine months ended September 29, 2023			
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 26,038	\$ 47,626	\$ 73,664
Unit-based	126,946	11,616	138,562
Fixed price	139,346	2,846	142,192
Total ⁽¹⁾	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>
Client Type			
Commercial	\$ 21,607	\$ 4,128	\$ 25,735
Government	119,028	57,759	176,787
Utilities ⁽²⁾	151,695	201	151,896
Total ⁽¹⁾	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>
Geography ⁽³⁾			
Domestic	<u>\$ 292,330</u>	<u>\$ 62,088</u>	<u>\$ 354,418</u>

	Three months ended September 30, 2022		
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 7,468	\$ 13,880	\$ 21,348
Unit-based	43,039	3,791	46,830
Fixed price	52,118	1,103	53,221
Total ⁽¹⁾	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
Client Type			
Commercial	\$ 6,848	\$ 1,376	\$ 8,224
Government	48,073	17,348	65,421
Utilities ⁽²⁾	47,704	50	47,754
Total ⁽¹⁾	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
Geography ⁽³⁾			
Domestic	<u>\$ 102,625</u>	<u>\$ 18,774</u>	<u>\$ 121,399</u>
	Nine months ended September 30, 2022		
	Energy	Engineering and Consulting	Total
	<i>(in thousands)</i>		
Contract Type			
Time-and-materials	\$ 23,873	\$ 40,221	\$ 64,094
Unit-based	128,540	10,530	139,070
Fixed price	109,773	2,945	112,718
Total ⁽¹⁾	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>
Client Type			
Commercial	\$ 21,638	\$ 4,330	\$ 25,968
Government	96,293	49,139	145,432
Utilities ⁽²⁾	144,255	227	144,482
Total ⁽¹⁾	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>
Geography ⁽³⁾			
Domestic	<u>\$ 262,186</u>	<u>\$ 53,696</u>	<u>\$ 315,882</u>

(1) Amounts may not add to the totals due to rounding.

(2) Includes the portion of revenue related to small business programs paid by the end user/customer.

(3) Revenue from our foreign operations were immaterial for the three and nine months ended September 29, 2023 and September 30, 2022.

Three Months Ended September 29, 2023 Compared to Three Months Ended September 30, 2022

Contract revenue. Consolidated contract revenue increased \$11.3 million, or 9.3%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022, due to incremental revenues in both our Energy segment and our Engineering and Consulting segment.

Contract revenue in our Energy segment increased \$8.4 million, or 8.2%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022, primarily as a result of increases in construction management revenues, utility program revenues, and planning and advisory consulting revenues.

Contract revenue in our Engineering and Consulting segment increased \$2.9 million, or 15.6%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022, primarily due to increased demand for services provided to our clients.

Direct costs of contract revenue. Direct costs of consolidated contract revenue increased \$5.4 million, or 6.5% for the three months ended September 29, 2023, compared to the three months ended September 30, 2022, primarily as a result of the increase, and change of mix, in contract revenues as described above. As a percentage of contract revenue, direct salaries and wages decreased to 16.5% in the three months ended September 29, 2023 from 17.6% in the three months ended September 30, 2022, while subcontractor services and other direct costs decreased to 50.8% in the three months ended September 29, 2023 from 51.4% in the three months ended September 30, 2022.

Direct costs of contract revenue in our Energy segment increased \$3.8 million, or 5.1% for the three months ended September 29, 2023, compared to the three months ended September 30, 2022. Direct costs of contract revenue for the Engineering and Consulting segment increased \$1.6 million, or 18.2%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022.

Subcontractor services and other direct costs increased by \$5.0 million, or 8.0%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022, primarily due to the increase in construction management revenues and utility program revenues. Salaries and wages remained relatively flat in the three months ended September 29, 2023, compared to the three months ended September 30, 2022.

Gross Profit. Gross profit increased 15.7% to \$43.4 million, or 32.7% gross margin, for the three months ended September 29, 2023, compared to gross profit of \$37.5 million, or 30.9% gross margin, for the three months ended September 30, 2022. The increase in our gross margin was primarily driven by changes in the mix of revenues as described above combined with the absence of project startup costs for new utility programs that were incurred during the third quarter of fiscal year 2022 but did not recur in the third quarter of fiscal year 2023.

General and administrative expenses. General and administrative (“G&A”) expenses increased \$1.3 million, or 3.4%, in the three months ended September 29, 2023, compared to the three months ended September 30, 2022. G&A expenses consisted of an increase of \$2.0 million in the Engineering and Consulting segment, partially offset by a decrease of \$0.2 million in the Energy segment and a decrease of \$0.5 million in unallocated corporate expenses.

Within G&A expenses, the increase of \$3.4 million in salaries and wages, payroll taxes and employee benefits was partially offset by a decrease of \$1.6 million in other general and administrative expenses combined with a decrease of \$0.4 million in stock-based compensation and a decrease of \$0.2 million in depreciation and amortization. The increase in salaries and wages, payroll taxes and employee benefits was primarily due to an increase in incentive compensation, consistent with the improvement in operating profit. The decrease in other general and administrative expenses was primarily due to contingent consideration expense related to prior acquisitions in the third quarter of fiscal year 2022 that did not recur in the same period for 2023. The decrease in stock-based compensation expenses was primarily related to previously awarded stock grants reaching the end of their corresponding vesting periods, partially offset by new equity awards being issued at lower stock prices. The decrease in depreciation and amortization was primarily related to lower amortization of intangible assets from prior acquisitions.

Income (loss) from operations. Operating income was \$3.8 million for the three months ended September 29, 2023, compared to an operating loss of \$0.8 million for the three months ended September 29, 2022, as a result of the factors noted above.

Total other expense, net. Total other expense, net, increased \$0.9 million, or 124.2%, for the three months ended September 29, 2023, compared to the three months ended September 30, 2022, primarily due to higher interest expense as a result of the increase in market interest rates which directly affected our variable interest rates under our credit facilities, combined with a one-time charge of \$0.5 million for unamortized debt issuance costs related to our prior credit facilities.

Income tax expense (benefit). We recorded an income tax expense of \$0.7 million for the three months ended September 29, 2023, compared to a tax benefit of \$1.5 million for the three months ended September 30, 2022. The tax expense is primarily attributable to the income before income tax combined with various tax deductions and credits.

Net income (loss). Our net income was \$1.6 million for the three months ended September 29, 2023, as compared to a net income of \$0.1 million for the three months ended September 30, 2022. The increase in net income was primarily attributable to the increase in revenue and gross profit, partially offset by higher interest expense and income tax expense.

Nine Months Ended September 29, 2023 Compared to Nine Months Ended September 30, 2022

Contract revenue. Consolidated contract revenue increased \$38.5 million, or 12.2%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, due to incremental revenues in both our Energy segment and in our Engineering and Consulting segment.

Contract revenue in our Energy segment increased \$30.1 million, or 11.5%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, primarily as a result of increases in software licensing revenue and higher demand across the full spectrum of our energy services. Contract revenue in our Engineering and Consulting segment increased \$8.4 million, or 15.6%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, primarily due to increased demand for services provided to our clients.

Direct costs of contract revenue. Direct costs of consolidated contract revenue increased \$13.7 million, or 6.3%, for the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, primarily as a result of the increase, and change of mix, in contract revenues as described above. As a percentage of contract revenue, direct salaries and wages decreased to 17.9% in the nine months ended September 29, 2023, from 19.5% in the nine months ended September 30, 2022, while subcontractor services and other direct costs decreased to 46.7% in the nine months ended September 29, 2023 from 48.7% in the nine months ended September 30, 2022.

Direct costs of contract revenue in our Energy segment increased \$9.6 million, or 5.1% for the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022. Direct costs of contract revenue for the Engineering and Consulting segment increased \$4.1 million, or 15.8%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022.

Subcontractor services and other direct costs increased by \$11.6 million, or 7.5%, and salaries and wages increased by \$2.1 million, or 3.3%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, primarily as a result of the increases in contract revenue.

Gross Profit. Gross profit increased 24.8% to \$125.3 million, or 35.4% gross margin, for the nine months ended September 29, 2023, compared to gross profit of \$100.5 million, or 31.8% gross margin, for the nine months ended September 30, 2022. The increase in our gross margin was primarily driven by higher software licensing revenue and changes in the mix of revenues as described above combined with the absence of project startup costs for new utility programs that were incurred during the same period of fiscal year 2022 but did not recur in the same period for fiscal year 2023.

General and administrative expenses. G&A expenses increased \$2.9 million, or 2.6%, in the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022. G&A expenses consisted of an increase of \$1.6 million in the Energy segment combined with an increase of \$3.8 million in the Engineering and Consulting segment, partially offset by a decrease of \$2.5 million in unallocated corporate expenses.

Within G&A expenses, the increase of \$8.4 million in salaries and wages, payroll taxes and employee benefits was partially offset by a decrease of \$2.6 million in stock-based compensation, a decrease of \$2.5 million in other general and administrative expenses, and a decrease of \$0.7 million in depreciation and amortization. The increase in salaries and wages, payroll taxes and employee benefits was primarily due to an increase in incentive compensation, consistent with the improvement in operating profit. The decrease in stock-based compensation expenses was primarily related to previously awarded stock grants reaching the end of their corresponding vesting periods, partially offset by new equity awards being issued at lower stock prices. The decrease in other general and administrative expenses was primarily due to contingent consideration expense related to prior acquisitions that occurred during the nine months

ended September 30, 2022 that did not recur in the same period for 2023. The decrease in depreciation and amortization was primarily related to lower amortization of intangible assets from prior acquisitions.

Income (loss) from operations. Operating income was \$10.3 million for the nine months ended September 29, 2023, compared to an operating loss of \$11.7 million for the nine months ended September 30, 2022, as a result of the factors noted above.

Total other expense, net. Total other expense, net, increased \$3.8 million, or 193.2%, for the nine months ended September 29, 2023, compared to the nine months ended September 30, 2022, primarily due to higher interest expense as a result of the increase in market interest rates which directly affected our variable interest rates under our credit facilities, combined with a one-time charge of \$0.5 million for unamortized debt issuance costs related to our prior credit facilities.

Income tax expense (benefit). We recorded an income tax expense of \$1.7 million for the nine months ended September 29, 2023, compared to a tax benefit of \$5.6 million for the nine months ended September 30, 2022. The tax expense is primarily attributable to the income before income tax combined with the non-recurrence of a one-time tax benefit recognized during the same period last year related to additional energy efficiency building deductions.

Net income (loss). Our net income was \$2.9 million for the nine months ended September 29, 2023, as compared to a net loss of \$8.0 million for the nine months ended September 30, 2022. The increase in net income was primarily attributable to the increase in revenue and gross profit, partially offset by higher interest expense and income tax expense.

Liquidity and Capital Resources

	Nine Months Ended	
	September 29, 2023	September 30, 2022
	<i>(in thousands)</i>	
Net cash provided by (used in):		
Operating activities	\$ 24,112	\$ 4,503
Investing activities	(9,115)	(6,894)
Financing activities	(21,595)	(12)
Net increase (decrease) in cash and cash equivalents	<u>\$ (6,598)</u>	<u>\$ (2,403)</u>

Sources of Cash

Our primary sources of liquidity for the next 12 months and beyond are cash generated from operations, cash and cash equivalents, and borrowings under our revolving credit facility under the Credit Agreement (the “Revolving Credit Facility”). We believe that our cash and cash equivalents, cash generated by operating activities, and available borrowings under our Revolving Credit Facility will be sufficient to finance our operating activities for at least the next 12 months.

As described in Part I, Item 1, Note 5, “*Debt Obligations*”, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, on September 29, 2023 we and certain of our subsidiaries entered into the Credit Agreement with a syndicate of financial institutions as lenders and BMO, as administrative agent. The Credit Agreement replaced our Prior Credit Agreement, by and among the Company, the guarantors party thereto, BMO as administrative agent and lender and the lenders party thereto. As of September 29, 2023, we had a fully drawn \$100 million term loan with \$100.0 million outstanding (the “Term Loan”), a \$50.0 million Revolving Credit Facility with no borrowed amounts and \$4.1 million in letters of credit issued. In addition, as of September 29, 2023, we had \$12.9 million of unrestricted cash and cash equivalents.

As of September 29, 2023, borrowings under our Credit Facilities, exclusive of the effects of upfront fees, undrawn fees and issuance cost amortization, bore interest at an annual rate of 8.4%. See Part I, Item 1, Note 5, “*Debt Obligations*”, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding our indebtedness, including information about new borrowings and repayments, principal repayment terms, interest rates, covenants, and other key terms of our outstanding indebtedness.

Cash Flows from Operating Activities

Cash flows provided by operating activities were \$24.1 million for the nine months ended September 29, 2023, as compared to cash flows provided by operating activities of \$4.5 million for the nine months ended September 30, 2022. Cash flows from operating activities primarily consists of net income, adjusted for non-cash charges, such as depreciation and amortization and stock-based compensation, plus or minus changes in current operating assets and liabilities. Cash flows provided by operating activities for the nine months ended September 29, 2023, resulted primarily from the increase in earnings, combined with lower working capital requirements. Cash flows provided by operating activities for the nine months ended September 30, 2022, was favorably impacted by lower working capital requirements, offset by increases in operating losses primarily due to start up costs related to new contract awards.

Cash Flows from Investing Activities

Cash flows used in investing activities were \$9.1 million for the nine months ended September 29, 2023, as compared to cash flows used in investing activities of \$6.9 million for the nine months ended September 30, 2022. Cash flows used in investing activities for the nine months ended September 29, 2023 were primarily due to cash paid for the development of software and the purchase of computers and equipment. Cash flows used in investing activities for the nine months ended September 30, 2022 were primarily due to cash paid for the development of software and the purchase of computers and equipment.

Cash Flows from Financing Activities

Cash flows used in financing activities were \$21.6 million for the nine months ended September 29, 2023, as compared to cash flows used in financing activities of \$12,000 for the nine months ended September 30, 2022. Cash flows used in financing activities for the nine months ended September 29, 2023 were primarily attributable to the disbursement of \$10.7 million in restricted cash for utility rebate incentives, payments of \$4.0 million for contingent consideration related to prior acquisitions, combined with repayments and borrowings of \$111.0 million and \$105.0 million, respectively, under our term loan facility and line of credit, which resulted primarily from refinancing our Prior Credit Facility. Cash flows used in financing activities for the nine months ended September 30, 2022 consisted of payments of \$10.2 million for contingent consideration related to prior acquisitions combined with repayments of \$9.8 million under our term loan facility and revolving line of credit, offset by borrowings of \$20.0 million under our Delayed Draw Term Loan.

Under certain utility contracts, we periodically receive cash deposits to be held in trust for the payment of energy incentive rebates to be sent directly to the utility’s end-customer on behalf of the utility. We act solely as the utility’s agent to distribute these funds to the end-customer and, accordingly, we classify these contractually restricted funds as restricted cash. Because these funds are held in trust for pass through to the utility’s customers and have no impact on our working capital or operating cash flows, these cash receipts are presented in the consolidated statement of cash flows as financing cash inflows, “Receipt of restricted cash”, with the subsequent payments classified as financing cash outflows, “Payment of restricted cash.”

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements or liabilities. In addition, we do not have any majority-owned subsidiaries or any interests in, or relationships with, any special-purpose entities that are not included in the consolidated financial statements. We have, however, an administrative services agreement with Genesys in which we provide Genesys with ongoing administrative, operational and other non-professional support services. We manage Genesys and have the power to direct the activities that most significantly impact Genesys' performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, we are the primary beneficiary of Genesys and consolidate Genesys as a variable interest entity.

Short and Long-term Uses of Cash

General

Our principal uses of cash are to fund operating expenses, support working capital requirements, finance capital expenditures, and pay down outstanding debt. From time to time, we also use cash to help fund business acquisitions. Our cash and cash equivalents are impacted by the timing of when we are paid by our customers for services rendered and when we pay expenses as reflected in the change in our outstanding accounts payable and accrued expenses.

Contractual Obligations

The following table sets forth our known contractual obligations as of September 29, 2023:

Contractual Obligations	Total	Less than			More than
		1 Year	1 - 3 Years	3 - 5 Years	5 Years
			<i>(in thousands)</i>		
Debt ⁽¹⁾	\$ 99,381	\$ 7,995	\$ 91,386	\$ —	\$ —
Interest payments on debt outstanding ⁽²⁾	21,939	8,040	13,899	—	—
Operating leases	14,558	4,729	6,976	2,120	733
Finance leases	2,415	1,166	1,071	169	9
Total contractual cash obligations	\$ 138,293	\$ 21,930	\$ 113,332	\$ 2,289	\$ 742

⁽¹⁾ Debt includes \$100.0 million outstanding on our Term Loan, net of issuance costs, and no borrowed amounts outstanding on our Revolving Credit Facility as of September 29, 2023. We have assumed no future borrowings or repayments (other than at maturity) for purposes of this table. Our Term Loan is scheduled to mature on September 29, 2026.

⁽²⁾ Borrowings under our Term Loan and Revolving Credit Facility bear interest at a variable rate. Future interest payments on our Credit Facility are estimated using floating rates in effect as of September 29, 2023.

As of September 29, 2023, we did not have any remaining contingent consideration payable related to any prior acquisitions. In addition, as of September 29, 2023, we did not have any arrangements involving the potential incurrence of future contingent consideration.

Outstanding Indebtedness

See Part I, Item 1, Note 5, "Debt Obligations", of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, for information regarding our indebtedness, including information about new borrowings and repayments, principal repayment terms, interest rates, covenants, and other key terms of our outstanding indebtedness.

Impact of Inflation

Due to the average duration of our projects and our ability to negotiate prices as contracts end and new contracts begin, historically, our operations have not been materially impacted by inflation.

While immaterial to our results of operations and financial condition, we experienced higher cost of materials and delays in our supply chain for equipment during fiscal year 2022, and we expect these higher costs and delays in our supply chain to persist through fiscal year 2023. The prices of finished products from manufacturers are subject to fluctuation and increases. It is difficult to accurately measure the impact of inflation, tariffs, price escalation, raw material costs, and other factors that impact the cost of finished goods due to the imprecise nature of the estimates required.

We are often able to mitigate the impact of future price increases by entering into fixed price purchase orders for materials and equipment, and subcontracts on our projects, as well as, when appropriate, including cost escalation factors into our proposals. Despite our best mitigation efforts, significant price increases in equipment and disruptions to our supply chain could materially impact our results of operations and financial condition. In addition, inflationary pressures, including expectations of future inflation, may impact the customers of our utility clients, which may lead to delayed or deferred decisions regarding expenditures to improve energy efficiency, and therefore potentially impact our future revenues.

Components of Revenue and Expense

Contract Revenue

We generally provide our services under contracts, purchase orders or retainer letters. The agreements we enter into with our clients typically incorporate one of three principal types of pricing provisions: time-and-materials, unit-based, and fixed price. Revenue on our time-and-materials and unit-based contracts are recognized as the work is performed in accordance with specific terms of the contract. As of September 29, 2023, 21% of our contracts are time-and-materials contracts, 39% are unit-based contracts, and 40% are fixed price contracts, compared to 20% are time-and-materials contracts, 44% are unit-based contracts, and 36% are fixed price contracts, as of September 30, 2022.

Some of these contracts include maximum contract prices, but contract maximums are often adjusted to reflect the level of effort to achieve client objectives and thus the majority of these contracts are not expected to exceed the maximum. Contract revenue on our fixed price contracts is determined on the percentage of completion method based generally on the ratio of direct costs incurred to date to estimated total direct costs at completion. Many of our fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate indicates a loss, such loss is recognized in the current period in its entirety. Claims and change orders that have not been finalized are evaluated to determine whether or not a change has occurred in the enforceable rights and obligations of the original contract. If these non-finalized changes qualify as a contract modification, a determination is made whether to account for the change in contract value as a modification to the existing contract, or a separate contract and revenue under the claims or change orders is recognized accordingly. Costs related to un-priced change orders are expensed when incurred, and recognition of the related revenue is based on the assessment above of whether or not a contract modification has occurred. Estimated profit for un-priced change orders is recognized only if collection is probable.

Our contracts come up for renewal periodically and at the time of renewal may be subject to renegotiation, which could impact the profitability on that contract. In addition, during the term of a contract, public agencies may request additional or revised services which may impact the economics of the transaction. Most of our contracts permit our clients, with prior notice, to terminate the contracts at any time without cause. While we have a large volume of contracts, the renewal, termination or modification of a contract, in particular contracts with Consolidated Edison, the Dormitory Authority-State of New York, the New York City Housing Authority, and utility programs associated with Los Angeles Department of Water and Power and Duke Energy Corp., may have a material effect on our consolidated operations.

Some of our contracts include certain performance guarantees, such as a guaranteed energy saving quantity. Such guarantees are generally measured upon completion of a project. In the event that the measured performance level

is less than the guaranteed level, any resulting financial penalty, including any additional work that may be required to fulfill the guarantee, is estimated and charged to direct expenses in the current period. We have not experienced any significant costs under such guarantees.

Direct Costs of Contract Revenue

Direct costs of contract revenue consist primarily of that portion of salaries and wages that have been incurred in connection with revenue producing projects. Direct costs of contract revenue also include material costs, subcontractor services, equipment and other expenses that are incurred in connection with revenue producing projects. Direct costs of contract revenue exclude that portion of salaries and wages related to marketing efforts, vacations, holidays and other time not spent directly generating revenue under existing contracts. Such costs are included in general and administrative expenses. Additionally, payroll taxes, bonuses and employee benefit costs for all of our personnel are included in general and administrative expenses since no allocation of these costs is made to direct costs of contract revenue.

Other companies may classify as direct costs of contract revenue some of the costs that we classify as general and administrative costs. We expense direct costs of contract revenue when incurred.

General and Administrative Expenses

G&A expenses include the costs of the marketing and support staff, other marketing expenses, management and administrative personnel costs, payroll taxes, bonuses and employee benefits for all of our employees and the portion of salaries and wages not allocated to direct costs of contract revenue for those employees who provide our services. G&A expenses also include facility costs, depreciation and amortization, professional services, legal and accounting fees and administrative operating costs. Within G&A expenses, "Other" includes expenses such as professional services, legal and accounting, computer costs, travel and entertainment, marketing costs and acquisition costs. We expense general and administrative costs when incurred.

Critical Accounting Policies

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with generally accepted accounting principles in the U.S. ("GAAP"). To prepare these financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses in the reporting period. Our actual results may differ from these estimates. We have adopted accounting policies and practices that are generally accepted in the industry in which we operate.

There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for our fiscal year ended December 30, 2022. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 30, 2022 for a discussion of our critical accounting policies and estimates.

Recent Accounting Standards

For a description of recently issued and adopted accounting pronouncements, including adoption dates and expected effects on our results of operations and financial condition, see Part I, Item 1, Note 2, "*Recent Accounting Pronouncements*", of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. Market risk is attributed to all market risk sensitive financial instruments, including long-term debt.

As of September 29, 2023, we had cash and cash equivalents of \$12.9 million. This amount represents cash on hand in business checking accounts with BMO Bank, N.A. We do not engage in trading activities and do not participate in foreign currency transactions.

We are subject to interest rate risk in connection with our Term Loan and borrowings, if any, under our Revolving Credit Facility, each of which bears interest at variable rates. As of September 29, 2023, \$100.0 million was outstanding under our Term Loan, and we had no borrowed amounts outstanding and \$4.1 million in letters of credit were issued under our Revolving Credit Facility. Each of our Term Loan and Revolving Credit Facility mature as of September 29, 2026 and are governed by our Credit Agreement.

Pursuant to the Credit Agreement, (as described in Part I, Item 1, Note 5, “Debt Obligations”, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q), borrowings under the Credit Agreement bear interest at either a Base Rate (as defined in the Credit Agreement) or the adjusted Secured Overnight Financing Rate (“SOFR”), at the Company’s option, and in each case, plus an applicable margin, which applicable margin ranges from 0.75% to 2.00% with respect to Base Rate borrowings and 1.75% to 3.00% with respect to SOFR borrowings, depending on the Company’s Total Net Leverage Ratio (as defined in the Credit Agreement); provided, that SOFR and the Base Rate cannot be less than 0.00%, with the specific pricing reset on each date on which the Administrative Agent receives the required financial statements under the Credit Agreement for the fiscal quarter then ended. The Company must also pay a commitment fee for the unused portion of the Revolving Credit Facility, which ranges from 0.20% to 0.40% per annum depending on the Company’s Total Net Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the Revolving Credit Facility, which range from 1.3125% to 2.25% per annum, in each case, depending on the Company’s Total Net Leverage Ratio, as well as customary fronting fees payable to BMO as letter of credit issuer. Based upon the amount of our outstanding indebtedness as of September 29, 2023, a one percentage point increase in the effective interest rate would change our annual interest expense by approximately \$1.0 million in fiscal year 2023.

The Term Loan will amortize quarterly in an amount equal to (i) 7.5% per annum for the first year ending after the Closing Date and (ii) 10.0% per annum for the second and third years ending after the Closing Date, with a final payment of all then remaining principal and interest due on the maturity date of September 29, 2026. The amounts outstanding under the Credit Facilities may be prepaid in whole or in part at any time without penalty (other than customary breakage costs).

ITEM 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15-d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, Thomas D. Brisbin, and our Chief Financial Officer, Creighton K. Early, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of September 29, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at a reasonable assurance level, as of September 29, 2023.

No change in our internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are subject to claims and lawsuits from time to time, including those alleging professional errors or omissions that arise in the ordinary course of business against firms that operate in the engineering and consulting professions. We carry professional liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss.

In accordance with accounting standards regarding loss contingencies, we accrue an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and we disclose the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements not to be misleading. We do not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

Because litigation outcomes are inherently unpredictable, our evaluation of legal proceedings often involves a series of complex assessments by management about future events and can rely heavily on estimates and assumptions. If the assessments indicate that loss contingencies that could be material to any one of our financial statements are not probable, but are reasonably possible, or are probable, but cannot be estimated, then we disclose the nature of the loss contingencies, together with an estimate of the possible loss or a statement that such loss is not reasonably estimable. While the consequences of certain unresolved proceedings are not presently determinable, and a reasonable estimate of the probable and reasonably possible loss or range of loss in excess of amounts accrued for such proceedings cannot be made, an adverse outcome from such proceedings could have a material adverse effect on our earnings in any given reporting period. However, in the opinion of our management, after consulting with legal counsel, and taking into account insurance coverage, the ultimate liability related to current outstanding claims and lawsuits is not expected to have a material adverse effect on our financial statements.

ITEM 1A. Risk Factors

There are no material changes to the risk factors set forth in Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the year ended December 30, 2022.

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

During the fiscal quarter ended September 29, 2023, we made the following repurchases of shares of our common stock from employees to satisfy tax withholding obligations incurred in connection with the vesting of restricted stock:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs
July 1, 2023 – July 28, 2023	889	\$19.16	—	—
July 29, 2023 – August 25, 2023	—	—	—	—
August 26, 2023 – September 29, 2023	—	—	—	—
TOTAL	889	\$19.16	—	—

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Rule 10b5-1

None.

ITEM 6. Exhibits

Exhibit Number	Exhibit Description
3.1	First Amended and Restated Certificate of Incorporation of Willdan Group, Inc. (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
3.2	Second Amended and Restated Bylaws of Willdan Group, Inc. (incorporated by reference to Exhibit 3.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on July 12, 2023).
4.1	Specimen Stock Certificate for shares of the Registrant's Common Stock (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
4.2	The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to issues of long-term debt of Willdan Group, Inc. and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of Willdan Group, Inc. and its subsidiaries.
10.1	The Credit Agreement, dated as of September 29, 2023, by and among Willdan Group, Inc., as Borrower, the Guarantors (as defined therein), the Lenders (as defined therein), BMO Bank N.A., as Joint Lead Arranger and Administrative Agent and J.P. Morgan, as Joint Lead Arranger (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on October 5, 2023).
10.2	The Security Agreement, dated as of September 29, 2023, by and among Willdan Group, Inc., as Borrower, the Debtors (as defined therein), and BMO Bank N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on October 5, 2023).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to § 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 Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

‡ Portions of the referenced exhibit have been omitted pursuant to Item 601(b) of Regulation S-K because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

¥ All schedules and exhibits were omitted pursuant to Item 601(a)(5) of Regulation S-K.

† Indicates a management contract or compensating plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLDAN GROUP, INC.

/s/ CREIGHTON K. EARLY

Creighton K. Early

Chief Financial Officer and Vice President

*(Principal Financial Officer, Principal Accounting Officer
and duly authorized officer)*

November 2, 2023

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas D. Brisbin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Willdan Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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: November 2, 2023

By: /s/ THOMAS D. BRISBIN

Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Creighton K. Early, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Willdan Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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: November 2, 2023

By: /s/ CREIGHTON K. EARLY
Creighton K. Early
Chief Financial Officer and Vice President
(Principal Financial Officer)

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350,
as Adopted Pursuant to § 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Willdan Group, Inc. (the "Company") for the quarterly period ended September 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Thomas D. Brisbin, as Chief Executive Officer of the Company, and Creighton K. Early, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ THOMAS D. BRISBIN

Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)
November 2, 2023

By: /s/ CREIGHTON K. EARLY

Creighton K. Early
Chief Financial Officer and Vice President
(Principal Financial Officer)
November 2, 2023

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by § 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
