

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

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 9, 2023

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SPAR Group, Inc.

(Exact Name of Registrant as Specified in  
Charter)

Delaware  
(State or Other Jurisdiction of Incorporation)

0-27408  
(Commission File No.)

33-0684451  
(IRS Employer Identification No.)

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1910 Opdyke Court, Auburn Hills, MI  
(Address of Principal Executive Offices)

48326  
(Zip Code)

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Registrant's telephone number, including area code: (248) 364-7727

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$0.01 par value	SGRP	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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SPAR Group, Inc. ("SGRP" or the "Corporation", and together with its subsidiaries, the "Company", "SPAR" or "SPAR Group") has listed its shares of Common Stock for trading through the Nasdaq Stock Market LLC ("Nasdaq") under the trading symbol "SGRP" and periodically files reports with the Securities and Exchange Commission ("SEC"). Reference is hereby made: to SGRP's Annual Report for the year ended December 31, 2022, as filed in two (2) parts with the SEC on Form 10-K on April 17, 2023, and on the Form 10-K/A amendment on May 1, 2023 (collectively, the "2022 Annual Report"); and to the Annual Meeting of SGRP's Stockholders held on November 9, 2023 (the "2023 Annual Meeting"), pursuant to SGRP's Proxy Statement and the supplemental materials respecting the 2023 Annual Meeting (the "2023 Proxy Statement"), which SGRP filed with the SEC on October 13, 2023, and mailed on or about October 13, 2023 to all of SGRP's stockholders of record at the close of business on September 12, 2023 (the "Record Date").

## **Item 2.02 Results of Operations and Financial Condition.**

On November 14, 2023, the Company announced its financial results for the third quarter ended September 30, 2023. A copy of the press release announcing this event is attached to and included in this Form 8-K as Exhibit 99.1.

## **Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing; Failure to Maintain the Minimum Bid Price.**

SGRP received a notification letter from Nasdaq dated November 10, 2023 (the "Nasdaq Bid Price Deficiency Letter"), stating that SGRP has failed to maintain a minimum closing bid price of \$1.00 per share for its shares of its Common Stock for the prior 30 consecutive business days preceding its notice (i.e., September 29, 2023, to November 9, 2023) as required by Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule").

The Nasdaq Bid Price Deficiency Letter provides that SGRP has until May 8, 2024, as a grace period to regain compliance with the Bid Price Rule by maintaining a closing bid price of \$1.00 per share for a minimum of ten consecutive business days. If at any time during the grace period the bid price of SGRP's Common Stock closes at \$1.00 per share or more for a minimum of ten consecutive business days, Nasdaq will provide SGRP with written confirmation of compliance and the matter will be closed.

In the event SGRP does not regain compliance with the Bid Price Rule prior to the expiration of the grace period, it will receive written notification that its securities are subject to delisting. SGRP would then have the ability to appeal the Nasdaq Staff's decision to the Nasdaq Listing Qualifications Panel (the "Panel"). Alternatively, SGRP may be eligible for an additional grace period if it meets Nasdaq's initial listing standards at the time, with the exception of bid price. If it meets the initial listing criteria, Nasdaq will notify SGRP that it has been granted an additional 180 calendar day compliance period.

The Nasdaq Bid Price Deficiency Letter does not affect the listing of SGRP's Common Stock at this time, and those shares will continue to trade on Nasdaq under the symbol "SGRP".

The foregoing description of the Nasdaq Bid Price Deficiency Letter is qualified in its entirety by reference to the excerpt from the Nasdaq Bid Price Deficiency Letter, a copy of which is filed herewith as Exhibit 99.2 and is incorporated herein by reference.

For the risks of a potential Nasdaq delisting, please see "*As a small company with stock price volatility, our stock may be de-listed from NASDAQ*" in Item 1A - Risk Factors in the 2022 Annual Report.

## **Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

### **1. Reappointment of Mr. Peter W. Brown to the Board:**

On November 9, 2023, following the Annual Meeting of the stockholders, the Board of Directors of SGRP (the "Board") reappointed Mr. Peter W. Brown to the Board, subject to Mr. Peter W. Brown signing required documentation. Since he was not a candidate in the proxy, he was not reelected and ceased being a director at the conclusion of the 2023 Annual Meeting on November 9, 2023. However, on November 8, 2023, he was nominated for reappointment to the Board in writing by Mr. Robert G. Brown, pursuant to the CIC Agreement (as defined in the 2023 Proxy Statement). The Board acted on that nomination after the conclusion of the 2023 Annual Meeting to reappoint Mr. Peter W. Brown to the Board subject to his signing the required documentation. Mr. Peter W. Brown will occupy one of the Brown Board Seats (as defined in the 2023 Proxy Statement) and may be removed at the direction of Mr. Robert G. Brown pursuant to the CIC Agreement. For his biography, see the 2023 Proxy Statement.

### **2. Departure of Mr. Robert G. Brown from the Board:**

Mr. Robert G. Brown, one of the founders of SGRP and a former Chairman of the Board, was not a candidate for reelection at the 2023 Annual Meeting, on November 8, 2023 (see Proposal 1 and his biography in the 2023 Proxy Statement), so at the conclusion of the 2023 Annual Meeting on November 9, 2023, Mr. Robert G. Brown was not reelected and ceased being a director on the Board pursuant to his non-candidacy, his resignation and retirement letter, and applicable law. Mr. Robert G. Brown occupied one of the Brown Board Seats (as defined in the 2023 Proxy Statement).

## **Item 5.07 Submission of Matters to a Vote of Security Holders.**

### **Outcome of the Annual Meeting of SGRP's Stockholders (including the Reelection of Director Candidates)**

On November 9, 2023, the 2023 Annual Meeting was held and SGRP stockholders holding 14,338,990 shares (approximately 61.70%) of SGRP Common Stock were present in person or by proxy. Each such stockholder was entitled to one (1) vote for each share of SGRP Common Stock held by such stockholder on the Record Date, and the holders of SGRP Common Stock voted together, respecting the election of directors and the other proposals presented to them at the 2023 Annual Meeting.

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As more fully described in the 2023 Proxy Statement, at the 2023 Annual Meeting, the following matters were submitted to votes of SGRP's stockholders: (i) A. To reelect, on an advisory basis, two (2) Directors of SGRP (all incumbents on October 13, 2023) to serve on SGRP's Board of Directors (the "Board") during the ensuing year and until their successors are elected; B. To reelect three (3) Directors of SGRP (all incumbents on October 13, 2023) to serve on SGRP's Board of Directors (the "Board") during the ensuing year and until their successors are elected; (ii) To ratify, on an advisory basis, the appointment of BDO USA, LLP, as the independent registered accounting firm for the Corporation and its subsidiaries for the year ending December 31, 2023; (iii) To approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Proxy Statement dated October 13, 2023 (*i.e.*, "Say on Pay"); and (iv) To select, on an advisory basis, whether the Corporation should request an advisory vote from its stockholders respecting compensation of the Named Executive Officers every one (1), two (2) or three (3) years (*i.e.*, "Say on Frequency").

See "QUORUM AND VOTING REQUIREMENTS" in the Proxy Statement for the standards applicable in the 2023 Annual Meeting.

## Results of the four (4) Proposals

### 1. Reelection of Directors:

1A. To reelect, on an advisory basis, two (2) Directors of SGRP (all incumbents on October 13, 2023) to serve on SGRP's Board of Directors (the "Board") during the ensuing year and until their successors are elected. Those Directors are Mr. William H. Bartels, and Mr. Michael R. Matacunas, for each of whom the stockholders were permitted to cast separate advisory votes.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
William H. Bartels	7,970,591	161,660	9,180
Michael R. Matacunas	7,983,388	144,571	13,472

Each having received a majority of the votes cast, the stockholders advised and Mr. William H. Bartels and Mr. Michael R. Matacunas were reelected as directors of SGRP (as recommended by a majority of the Board).

1B. To reelect three (3) Directors of SGRP (all incumbents on October 13, 2023) to serve on SGRP's Board of Directors (the "Board") during the ensuing year and until their successors are elected. Those Directors are Mr. John Bode, Mr. James R. Gillis, and Ms. Linda Houston, for each of whom the stockholders were permitted to cast separate votes.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
John Bode	7,832,324	295,635	13,472
James R. Gillis	7,846,094	281,895	13,442
Linda Houston	7,824,675	307,484	9,272

Each having received a majority of the votes cast, Mr. John Bode, Mr. James R. Gillis, and Ms. Linda Houston were reelected as directors of SGRP (as recommended by a majority of the Board).

### 2. Auditor's Appointment:

To ratify, on an advisory basis, the appointment of BDO USA, LLP, as the independent registered accounting firm for the Corporation and its subsidiaries for the year ending December 31, 2023:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
14,320,123	13,787	5,080

Having received affirmative votes from a majority of the votes cast, the appointment of BDO USA, LLP, by the Corporation was approved (as recommended by a majority of the Board) on an advisory basis.

### 3. Say on Pay:

To approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Proxy Statement dated October 13, 2023:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
8,092,425	33,458	15,548

Having received a majority of the votes cast, the compensation of the Named Executive Officers was approved (as recommended by a majority of the Board).

#### 4. Say on Frequency.

To select, on an advisory basis, whether the Corporation should request an advisory vote from its stockholders respecting compensation of the Named Executive Officers every one (1), two (2) or three (3) years:

<u>"One (1) Year"</u>	<u>"Two (2) Years"</u>	<u>"Three (3) Years"</u>	<u>Abstain</u>
8,087,667	2,073	50,160	1,531

Having received a majority of the votes cast, the Corporation will request (as recommended by the Board) an advisory vote from its stockholders respecting compensation of the Named Executive Officers every one year.

#### Forward Looking Statements

This Current Report on Form 8-K and its exhibits (collectively, this "Current Report") contain "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, the Company, and this Current Report has been filed by the Corporation with the SEC. "Forward-looking statements" are defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act and other applicable Securities Laws.

All statements (other than those that are purely historical) are forward-looking statements. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Corporation in this Current Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks") such as (among other things) the impact of the Nasdaq Bid Price Deficiency Letter, any Nasdaq delisting or SGRP's failure to comply with any other Nasdaq rule, the impact of the ongoing strategic review process or any resulting action or inaction, the impact of adding new directors and adding new finance team members, the potential negative effects of any stock purchase and/or payment, the potential negative effects of the novel coronavirus and COVID-19 pandemic on the Company's business, the Company's cash flow or financial condition, or the pursuit or achievement of the Company's corporate objectives.

You should carefully review and consider the Company's forward-looking statements (including all risk factors and other cautions and uncertainties) and other information made, contained or noted in or incorporated by reference into this Current Report, but you should not place undue reliance on any of them. The results, actions, levels of activity, performance, achievements or condition of the Company (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, Risks, trends or condition) and other events and circumstances planned, intended, anticipated, estimated or otherwise expected by the Company (collectively, "Expectations"), and our forward-looking statements (including all Risks) and other information reflect the Company's current views about future events and circumstances. Although the Company believes those Expectations and views are reasonable, the results, actions, levels of activity, performance, achievements or condition of the Company or other events and circumstances may differ materially from our Expectations and views, and they cannot be assured or guaranteed by the Company, since they are subject to Risks and other assumptions, changes in circumstances and unpredictable events (many of which are beyond the Company's control). In addition, new Risks arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Accordingly, the Company cannot assure you that its Expectations will be achieved in whole or in part, that it has identified all potential Risks, or that it can successfully avoid or mitigate such Risks in whole or in part, any of which could be significant and materially adverse to the Company and the value of your investment in the Company's common stock.

These forward-looking statements reflect the Company's Expectations, views, Risks and assumptions only as of the date of this Current Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any forward-looking statements (including any Risks or Expectations) or other information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise.

#### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

99.1 [Press Release announcing earnings for the Company for the third quarter ended September 30, 2023.](#)

99.2 [Excerpt from Bid Price Deficiency Notification Letter from Nasdaq dated November 10, 2023.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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SIGNATURES

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

**SPAR Group, Inc.**

Date: November 15, 2023

By: /s/ Michael R. Matacunas

Michael R. Matacunas, President & CEO



**SPAR Group, Inc. Reports Third Quarter Fiscal 2023 Results**  
*Momentum Builds on Growth in Merchandising Services Business*  
*Strategic Initiative Continues with Expanded Gross Margins*

AUBURN HILLS, MI, November 14, 2023 – **SPAR Group, Inc.** (NASDAQ: SGRP) (“SPAR”, “SPAR Group” or the “Company”), a leading global provider of merchandising, marketing, and distribution services today reported financial and operating results for the three and nine months ended September 30, 2023.

**Mike Matacnas, the Company’s President and Chief Executive Officer, commented,** “Results were in line with expectations for the third quarter with continued strength in our core merchandising business. Our U.S. merchandising business grew by 27%, Canada merchandising grew by 23%, Mexico by 28% and Brazil by 10%. We believe there is continued opportunity and a growing addressable market as brands and retailers turn to SPAR for the last product touch and driving the consumer experience.

“The great strength in our core merchandising business was offset on a consolidated basis by our Asia Pacific businesses, smaller joint ventures and the U.S. retail remodel business that is beginning to recover after a slowing earlier in the year. At the same time, we delivered higher margins for the fourth quarter in a row. Our consolidated gross margin is 150 basis points higher than the same period last year with some really strong improvements in U.S. merchandising gross margin up 290 basis points, South Africa up by 90 basis points and Brazil up 230 basis points. I am pleased with our continued progress on profitability and our ability to successfully recruit, retain and reward great talent to serve our clients. We are up 140 basis points year to date on gross margin.

“I am also pleased that our wholly owned businesses continue to outperform. You will note that our attributable Adjusted EBITDA is up 21.5% year on year for the quarter and 23.8% up for the first nine months of the year. This is a signal of the growing strength in our core and our ability to execute.

“While we focus on growth and profitability, we continue to explore strategic alternatives that will create value for our shareholders. We do not have an update today, but we remain committed to this work and unlocking the potential of this great company for years to come,” concluded Matacnas.

### Third Quarter 2023 Financial Results

Net revenues were \$67.3 million, comprised of \$53.8 million from Americas (79.9%), \$7.9 million from EMEA (11.7%), and \$5.7 million from APAC (8.4%). Total net revenue decreased by 3.6%, down 4.5% on a constant currency basis. Americas revenues were comparable to the prior year. EMEA revenues declined by 12.1% and APAC decreased by 20.6% from the prior year quarter.

Gross profit was \$13.4 million, or 19.9% of revenues, compared to \$12.8 million, or 18.4% of revenues, in the prior year quarter. This 150-basis point improvement in gross profit margin was due to a number of planned initiatives, which included improved contract terms and pricing, system enhancements and other cost containments, as well as services mix shifts in the quarter.

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled “Statement Regarding Use of Non-GAAP Financial Measures” for an explanation of non-GAAP measures, and the table entitled “GAAP to Non-GAAP Reconciliation” for a reconciliation of GAAP to non-GAAP measures.

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Selling, general and administrative (SG&A) expenses were \$11.3 million, or 16.8% of revenues (16.5% of revenues excluding non-recurring costs associated with reviewing strategic alternatives), compared to \$10.6 million, or 15.2% of revenues, in the prior year quarter. Non-recurring costs associated with reviewing strategic alternatives were \$143 thousand during the third quarter.

Operating income was \$1.5 million, down 10.4%, versus operating income of \$1.7 million from the prior year quarter.

Net income attributable to SPAR Group, Inc. was \$259 thousand, or \$0.01 per share, compared to a net loss attributable to SPAR Group Inc. of \$32 thousand, or \$0.00 per share, in the year-ago quarter. Non-GAAP net income attributable to SPAR Group, Inc. <sup>(1)</sup> in the quarter was \$570 thousand, or \$0.02 per share, compared to \$212 thousand, or \$0.01 per share, in the year-ago quarter.

Consolidated Adjusted EBITDA <sup>(1)</sup> in the 2023 quarter was \$2.5 million, comparable to \$2.5 million in the prior year. Adjusted EBITDA attributable to SPAR Group, Inc. <sup>(1)</sup> in the 2023 quarter was \$1.5 million, compared to \$1.2 million in the prior year.

(1) Adjusted non-GAAP Net income attributable to SPAR Group, Inc. and Adjusted Diluted earnings per share attributable to SPAR Group, Inc., and Adjusted EBITDA are non-GAAP financial measures as defined and reconciled below.

### **First Nine Months 2023 Financial Results**

Net revenues were \$197.6 million, comprised of \$154.5 million from Americas (78.2%) and \$25.8 million from EMEA (13.0%), and \$17.4 million from APAC (8.8%). Total net revenue increased by 0.5%, up 2.4% on a constant currency basis, and Americas revenues increased over the prior year by 3.0%, EMEA decreased by 5.6%, and APAC decreased by 9.9% from the prior year period.

Gross profit was \$40.6 million, or 20.5% of revenues, compared to \$37.6 million, or 19.1% of revenues, in the prior year period. This 140-basis point improvement in gross profit margins was due to a number of planned initiatives, which included improved contract terms and pricing, system enhancements and other cost containments.

Selling, general and administrative (SG&A) expenses were \$32.3 million, or 16.4% of revenues (16.1% of revenues excluding non-recurring costs associated with reviewing strategic alternatives), compared to \$30.0 million, or 15.2% of revenues, in the prior year period. Non-recurring costs associated with reviewing strategic alternatives were \$571 thousand during the first nine months of 2023.

Operating income was \$6.7 million, up 8.9%, versus operating income of \$6.1 million from the prior year period.

Net income attributable to SPAR Group, Inc. was \$1.8 million, or \$0.08 per share, comparable to net income attributable to SPAR Group Inc. of \$1.8 million, or \$0.08 per share, in the nine-month period a year ago. Non-GAAP net income attributable to SPAR Group, Inc. <sup>(1)</sup> in the period was \$2.5 million, or \$0.11 per share, compared to \$2.0 million, or \$0.09 per share, in the year-ago period.

Consolidated Adjusted EBITDA <sup>(1)</sup> in the 2023 period was \$9.2 million, compared to Consolidated Adjusted EBITDA of \$7.9 million in the prior year. Adjusted EBITDA attributable to SPAR Group, Inc. <sup>(1)</sup> in the 2023 period was \$6.0 million, compared to \$4.9 million in the prior year.

(1) Adjusted non-GAAP Net income attributable to SPAR Group, Inc. and Adjusted Diluted earnings per share attributable to SPAR Group, Inc., and Adjusted EBITDA are non-GAAP financial measures as defined and reconciled below.

### **Financial Position as of September 30, 2023**

The Company's total worldwide liquidity at the end of the first nine months was \$12.4 million, with \$8.0 million in cash and cash equivalents and \$4.4 million of unused availability as of September 30, 2023. For the nine months ended September 30, 2023, net cash provided by operating activities was \$1.6 million. The Company ended the nine months with positive net working capital of \$27.5 million at September 30, 2023.

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

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## Conference Call

The Company will conduct a conference call today at 10:00 a.m Eastern Time to discuss financial and operating results for the third quarter and nine months ended September 30, 2023. To access the call, live by phone, dial 1-833-630-1542 (Domestic), 1-412-317-1821 (International) and ask for the SPAR Group call at least 10 minutes prior to the start time. A telephonic replay will be available through November 21, 2023, by calling 1-877-344-7529 using passcode ID 2719462#. A webcast of the call will also be available live and for later replay on the Company's Investor Relations website at <https://investors.sparinc.com/events-and-presentations>.

## About SPAR Group, Inc.

SPAR Group is a leading global merchandising and marketing services company, providing a broad range of services to retailers, manufacturers, and distributors around the world. With more than 50 years of experience, 25,000+ merchandising specialists around the world, an average of 200,000+ store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses, we provide specialized capabilities across more than nine countries. Our unique combination of scale, merchandising and marketing expertise, combined with our unwavering commitment to excellence, separate us from the competition. For more information, please visit the SPAR Group's website at <http://www.sparinc.com>.

## Cautionary Note Regarding Forward-Looking Statements

*This Press Release contains, and the above referenced recorded comments, will contain "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, "SPAR", "SPAR Group" or the "Company"), filed in a Quarterly Report on Form 10-Q by SGRP with the Securities and Exchange Commission (the "SEC") expected to be filed on or about November 14, 2023. There also are forward-looking statements contained in SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2022, as filed with the SEC on April 17, 2023, and SGRP's First Amendment to Annual Report on Form 10-K/A for the year ended December 31, 2022, as filed with the SEC on May 1, 2023 (as so amended, the "Annual Report"), and SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including the Quarterly Report, the Annual Report and the Proxy Statement, the Information Statement, the Second Special Meeting Proxy/Information Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").*

*The forward-looking statements made by the Company in this Press Release may include (without limitation) any expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate strategic objectives. The Company's forward-looking statements also include, in particular and without limitation, those made in "Business", "Risk Factors", "Legal Proceedings", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report. You can identify forward-looking statements in such information by the Company's use of terms such as "may", "will", "expect", "intend", "believe", "estimate", "anticipate", "continue", "plan", "project" or similar words or variations or negatives of those words.*

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

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*You should carefully consider (and not place undue reliance on) the Company's forward-looking statements, risk factors and the other risks, cautions and information made, contained or noted in or incorporated by reference into this Press Release, the Annual Report, the Proxy Statement and the other applicable SEC Reports that could cause the Company's actual performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition) to differ materially from the performance or condition planned, intended, anticipated, estimated or otherwise expected by the Company (collectively, "expectations") and described in the information in the Company's forward-looking and other statements, whether expressed or implied. Although the Company believes them to be reasonable, those expectations involve known and unknown risks, uncertainties, and other unpredictable factors (many of which are beyond the Company's control) that could cause those expectations to fail to occur or be realized or such actual performance or condition to be materially and adversely different from the Company's expectations. In addition, new risks and uncertainties arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Accordingly, the Company cannot assure you that its expectations will be achieved in whole or in part, that the Company has identified all potential risks, or that the Company can successfully avoid or mitigate such risks in whole or in part, any of which could be significant and materially adverse to the Company and the value of your investment in SGRP's Common Stock.*

*You should also carefully review the risk factors described in the Annual Report (See Item 1A – Risk Factors) and any other risks, cautions or information made, contained or noted in or incorporated by reference into the Annual Report, the Proxy Statement or other applicable SEC Report. All forward-looking and other statements or information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such risk factors and other risks, cautions and information.*

*The Company does not intend or promise, and the Company expressly disclaims any obligation, to publicly update or revise any forward-looking statements, risk factors or other risks, cautions or information (in whole or in part), whether as a result of new information, risks or uncertainties, future events or recognition or otherwise, except as and to the extent required by applicable law.*

**Investor Relations Contact:**

Three Part Advisors, LLC  
Sandy Martin / Phillip Kupper  
Tel: 214-616-2207 or 817-778-8339

*- Financial Statements Follow -*

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

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**SPAR Group, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**

*(In thousands, except per share amounts)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net revenues	\$ 67,333	\$ 69,832	\$ 197,649	\$ 196,626
Related party - cost of revenues	1,628	2,535	4,807	7,201
Cost of revenues	52,332	54,457	152,235	151,806
Gross profit	13,373	12,840	40,607	37,619
Selling, general and administrative expense	11,284	10,614	32,345	29,952
Depreciation and amortization	548	506	1,574	1,524
Operating income	1,541	1,720	6,688	6,143
Interest expense, net	380	270	1,248	595
Other income, net	(164)	(126)	(347)	(363)
Income before income tax expense	1,325	1,576	5,787	5,911
Income tax expense	227	676	1,806	1,942
Net income	1,098	900	3,981	3,969
Net income attributable to non-controlling interest	(839)	(932)	(2,217)	(2,180)
Net income (loss) attributable to SPAR Group, Inc.	\$ 259	\$ (32)	\$ 1,764	\$ 1,789
Basic income per common share attributable to SPAR Group, Inc.	0.01	(0.00)	0.08	0.08
Diluted income per common share attributable to SPAR Group, Inc.	\$ 0.01	\$ (0.00)	\$ 0.08	\$ 0.08
Weighted-average common shares outstanding— basic	23,237	22,227	23,201	21,873
Weighted-average common shares outstanding – diluted	23,376	22,227	23,350	22,010

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

**SPAR Group, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets (unaudited)**  
(In thousands, except share and per share data)

	September 30, 2023	December 31, 2022
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 7,960	\$ 9,345
Accounts receivable, net	65,650	63,714
Prepaid expenses and other current assets	6,163	7,861
Total current assets	79,773	80,920
Property and equipment, net	3,094	3,261
Operating lease right-of-use assets	2,023	969
Goodwill	1,712	1,708
Intangible assets, net	1,295	2,040
Deferred income taxes, net	3,859	3,766
Other assets	2,259	1,934
Total assets	\$ 94,015	\$ 94,598
<b>Liabilities and stockholders' equity:</b>		
Current liabilities:		
Accounts payable	\$ 10,533	\$ 10,588
Accrued expenses and other current liabilities	16,674	20,261
Due to affiliates	2,999	2,964
Customer incentives and deposits	1,771	2,399
Lines of credit and short-term loans	19,323	17,980
Current portion of operating lease liabilities	946	363
Total current liabilities	52,246	54,555
Operating lease liabilities, net of current portion	1,077	606
Long-term debt	922	1,376
Total liabilities	54,245	56,537
Commitments and contingencies		
Stockholders' equity:		
Series B convertible preferred stock, \$0.01 par value per share: 2,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 2,000,000 shares issued as of September 30, 2023 and December 31, 2022; 650,000 shares and 854,753 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	7	9
Common stock, \$0.01 par value per share: 47,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 23,446,444 and 23,059,138 shares issued as of September 30, 2023 and December 31, 2022, respectively; 23,240,959 shares and 22,853,653 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	232	229
Treasury stock, at cost, 205,485 shares and 205,485 shares as of September 30, 2023 and December 31, 2022, respectively	(285)	(285)
Additional paid-in capital	20,928	20,708
Accumulated other comprehensive loss	(4,871)	(4,941)
Retained earnings	8,471	6,707
Total stockholders' equity attributable to SPAR Group, Inc.	24,482	22,427
Non-controlling interest	15,288	15,634
Total stockholders' equity	39,770	38,061
Total liabilities and stockholders' equity	\$ 94,015	\$ 94,598

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

**SPAR Group, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(unaudited)**  
*(In thousands)*

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,981	\$ 3,969
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,574	1,524
Amortization of operating lease right-of-use assets	433	589
Bad debt expense, net of recoveries	138	35
Deferred income tax expense (benefit)	(15)	-
Share-based compensation expense	217	585
Majority stockholders change in control agreement	-	(420)
Changes in operating assets and liabilities:		
Accounts receivable	(1,963)	(12,283)
Prepaid expenses and other current assets	1,635	(4,164)
Accounts payable	409	3,708
Operating lease liabilities	(433)	(589)
Accrued expenses and other current liabilities	(4,336)	2,884
Net cash provided by (used in) operating activities	<u>1,640</u>	<u>(4,162)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,083)	(1,237)
Net cash used in investing activities	<u>(1,083)</u>	<u>(1,237)</u>
<b>Cash flows from financing activities:</b>		
Borrowings under line of credit	80,151	33,151
Repayments under line of credit	(79,520)	(23,904)
Payments to acquire noncontrolling interests	(473)	-
Distribution to noncontrolling investors	(1,674)	-
Net cash provided by (used in) financing activities	<u>(1,516)</u>	<u>9,247</u>
Effect of foreign exchange rate changes on cash	(426)	(5,200)
Net change in cash, cash equivalents and restricted cash	<u>(1,385)</u>	<u>(1,352)</u>
Cash, cash equivalents at beginning of period	9,345	13,473
Cash, cash equivalents at end of period	<u>\$ 7,960</u>	<u>\$ 12,121</u>

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

**SPAR Group, Inc. and Subsidiaries**  
**Segment Information**  
**(unaudited)**  
*(In thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net Revenues:</b>				
Americas	\$ 53,796	\$ 53,738	\$ 154,457	\$ 149,992
APAC	5,674	7,147	17,432	19,351
EMEA	7,863	8,947	25,760	27,283
Total net revenues	<u>\$ 67,333</u>	<u>\$ 69,832</u>	<u>\$ 197,649</u>	<u>\$ 196,626</u>
<b>Operating income:</b>				
Americas	\$ 1,328	\$ 1,441	\$ 5,894	\$ 5,862
APAC	(218)	(341)	(510)	(1,491)
EMEA	431	620	1,304	1,772
Total operating income	<u>\$ 1,541</u>	<u>\$ 1,720</u>	<u>\$ 6,688</u>	<u>\$ 6,143</u>

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

## Reconciliation of GAAP to Non-GAAP Financial Measures

Non-GAAP net income attributable to SPAR Group and related per share amounts represents net income attributable to SPAR Group adjusted for the removal of a one-time positive adjustment. Adjusted EBITDA represents net income before, as applicable from time to time, (i) interest expense, net, (ii) provision (benefit) for income taxes, (iii) depreciation and amortization of long-lived assets, (iv) share based compensation expense, (v) review of strategic alternatives, (vi) nonrecurring legal settlement costs and associated legal expenses unrelated to the Company's core operations. These metrics are supplemental measures of our operating performance that are neither required by, nor presented in accordance with, GAAP. These measures have limitations as analytical tools and should not be considered in isolation or as an alternative to performance measure derived in accordance with GAAP as an indicator of our operating performance. We present Adjusted net income attributable to SPAR Group and per share amounts, and Adjusted EBITDA because management uses these measures as key performance indicators, and we believe that securities analysts, investors and others use these measures to evaluate companies in our industry. Our calculation of these measures may not be comparable to similarly named measures reported by other companies. The following tables present a reconciliation of net income, the most directly comparable measure calculated in accordance with GAAP, to these measures for the periods presented:

**SPAR Group, Inc.**  
**Net income attributable to SPAR Group, Inc. to**  
**Adjusted Net income attributable to SPAR Group, Inc. Reconciliation**  
**Diluted income per common share attributable to SPAR Group, Inc. to**  
**Adjusted Diluted income per common share attributable to SPAR Group, Inc. Reconciliation**  
*(in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net Income attributable to SPAR Group Inc.	\$ 259	\$ (32)	\$ 1,764	\$ 1,789
Add-back Adjusted EBIDTA (net of taxes)	311	244	755	175
Adjusted Net income attributable to SPAR Group, Inc.	<u>\$ 570</u>	<u>\$ 212</u>	<u>\$ 2,520</u>	<u>\$ 1,964</u>
Diluted income per common share attributable to SPAR Group, Inc.	\$ 0.01	\$ -	\$ 0.08	\$ 0.08
Add-back Adjusted EBIDTA per common share (net of taxes)	0.01	0.01	0.03	0.01
Adjusted Diluted income per common share attributable to SPAR Group, Inc.	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.11</u>	<u>\$ 0.09</u>

**SPAR Group, Inc.**  
**Net Income to Consolidated Adjusted EBITDA to**  
**Adjusted EBITDA attributable to SPAR Group, Inc. Reconciliation**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Consolidated Net Income	\$ 1,098	\$ 900	\$ 3,981	\$ 3,969
Depreciation and amortization	548	506	1,574	1,524
Interest expense	380	270	1,248	595
Income Tax expense	227	676	1,806	1,942
Other income	(164)	(126)	(347)	(363)
Consolidated EBITDA	2,089	2,226	8,262	7,667
Review of Strategic Alternatives	143	-	571	-
Share based compensation	83	309	217	589
Legal Costs / Settlements - non recurring	140	-	140	(368)
Restructuring costs	28	-	28	-
Consolidated Adjusted EBITDA	2,483	2,535	9,218	7,888
Adjusted EBITDA attributable to non controlling interest	(977)	(1,295)	(3,211)	(3,035)
Adjusted EBITDA attributable to SPAR Group, Inc.	<u>\$ 1,506</u>	<u>\$ 1,240</u>	<u>\$ 6,007</u>	<u>\$ 4,853</u>

Note: We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the section entitled "Statement Regarding Use of Non-GAAP Financial Measures" for an explanation of non-GAAP measures, and the table entitled "GAAP to Non-GAAP Reconciliation" for a reconciliation of GAAP to non-GAAP measures.

November 10, 2023

Mr. Michael R. Matacunas  
Chief Executive Officer  
SPAR Group, Inc.  
1910 Opdyke Court  
Auburn Hills, MI 48326

Re: SPAR Group, Inc. (the "Company")  
Nasdaq Security: Common Stock  
Nasdaq Symbol: SGRP

Dear Mr. Matacunas:

Our Listing Rules (the "Rules") require listed securities to maintain a minimum bid price of \$1 per share. Based upon the closing bid price for the last 30 consecutive business days, the Company no longer meets this requirement.<sup>1</sup> However, the Rules also provide the Company a compliance period of 180 calendar days in which to regain compliance.

If at any time during this 180 day period the closing bid price of the Company's security is at least \$1 for a *minimum* of ten consecutive business days, we will provide you written confirmation of compliance and this matter will be closed. Please note that if the Company chooses to implement a reverse stock split, it must complete the split no later than ten business days prior to the expiration date in the table below in order to regain compliance.<sup>2</sup>

In the event the Company does not regain compliance, the Company may be eligible for additional time. To qualify, the Company will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If the Company meets these requirements, we will inform the Company that it has been granted an additional 180 calendar days. However, if it appears to Staff that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible, we will provide notice that its securities will be subject to delisting.<sup>3</sup>

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<sup>1</sup> For online access to all Nasdaq Rules, please see "Nasdaq Online Resources," included with this letter.

<sup>2</sup> For additional information with respect to compliance periods please see the "Nasdaq Online Resources" on the attached page and access the link "Frequently Asked Questions" related to "continued listing."

<sup>3</sup> At that time, the Company may appeal the delisting determination to a Hearings Panel.

Our Rules require that the Company promptly disclose receipt of this letter by either filing a Form 8-K, where required by SEC rules, or by issuing a press release. The announcement needs to be made no later than four business days from the date of this letter and must include the continued listing criteria that the Company does not meet, and a description of each specific basis and concern identified by Nasdaq in reaching the determination.<sup>4</sup> The Company must also provide a copy of the announcement to Nasdaq's MarketWatch Department at least 10 minutes prior to its public release.<sup>5</sup> Please note that if you do not make the required announcement trading in your securities will be halted.<sup>6</sup>

The following table summarizes the critical dates and information as related to this matter.

<b>Period below \$1.00 bid price</b>	<b>Expiration of 180 calendar day compliance period</b>	<b>Public Announcement Due Date</b>	<b>Relevant Listing Rules</b>
September 29, 2023 to November 9, 2023	May 8, 2024	November 16, 2023	5550(a)(2) – bid price 5810(c)(3)(A) <sup>7</sup> – compliance period 5810(b) – public disclosure 5505 – Capital Market criteria

Finally, an indicator will be displayed with quotation information related to the Company's securities on NASDAQ.com and NASDAQTrader.com and may be displayed by other third party providers of market data information. Also, a list of all non-compliant Nasdaq companies and the basis for such non-compliance is posted on our website at [listingcenter.nasdaq.com](http://listingcenter.nasdaq.com). The Company will be included in this list commencing five business days from the date of this letter.

<sup>4</sup> Listing Rule 5810(b). See FAQ #428 available on the [Nasdaq Listing Center](http://listingcenter.nasdaq.com).

<sup>5</sup> The notice must be submitted to Nasdaq's MarketWatch Department through the Electronic Disclosure service available at [nasdaq.net/ED/IssuerEntry](http://nasdaq.net/ED/IssuerEntry).

<sup>6</sup> Listing Rule IM-5810-1.

<sup>7</sup> Listing Rule 5810(c)(3)(A)(iii) states in part: "if during any compliance period specified in this Rule 5810(c)(3)(A) a Company's security has a closing bid price of \$0.10 or less for ten consecutive trading days, the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security."

## **NASDAQ ONLINE RESOURCES**

All of our listing information and forms are available electronically on the [Listing Center](#). In addition to facilitating electronic submission of forms, you can also use the Listing Center to access Nasdaq's Reference Library containing hundreds of frequently asked questions and Governance Clearinghouse containing the latest updates on corporate governance and listing standards.

To help you navigate the deficiency process, we have provided links to some of our most viewed resource materials.

- [Board Composition and Committee Requirements](#)
- [Governance Clearinghouse](#)
- [Hearings Process](#)
- [How to Transfer to Nasdaq Capital Market](#)
- [Information about Application of Shareholder Approval Rules](#)
- [Initial Listing Process](#)
- [Listing Fees](#)
- [Listing of Additional Shares Process](#)
- [MarketWatch Electronic Disclosure Submissions](#)
- [Nasdaq Listing Rules](#)
- [Reference Library: Frequently Asked Questions, Staff Interpretations and Listing Council Decisions](#)