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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the first quarterly period ended **September 30, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from __________ to __________.

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**33-0684451**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1910 Opdyke Court, Auburn Hills, Michigan	**48326**
(Address of principal executive offices)	(Zip Code)

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

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 twelve 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 the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.). (Check one):

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 ☒

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	SGRP	The NASDAQ Stock Market LLC

As of November 12, 2024, the Registrant had 23,449,701 shares of common stock, par value $0.01 per share, outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenues	$ 37,788	$ 67,333	$ 163,771	$ 197,649
Related party - cost of revenues	-	1,628	-	4,807
Cost of revenues	29,346	52,332	131,801	152,235
Gross profit	8,442	13,373	31,970	40,607
Selling, general and administrative expense	8,558	11,284	27,707	32,345
(Gain) Loss on sale of businesses	922	-	(11,154)	-
Depreciation and amortization	454	548	1,443	1,574
Operating (loss) income	(1,492)	1,541	13,974	6,688
Interest expense	582	380	1,678	1,248
Other expense (income), net	472	(164)	184	(347)
(Loss) Income before income tax expense	(2,546)	1,325	12,112	5,787
Income tax (benefit) expense	(2,314)	227	1,088	1,806
Net (loss) income	(232)	1,098	11,024	3,981
Net loss (income) attributable to non-controlling interest	88	(839)	(914)	(2,217)
Net (loss) income attributable to SPAR Group, Inc.	$ (144)	$ 259	$ 10,110	$ 1,764
Basic (loss) income per common share attributable to SPAR Group, Inc.	$ (0.01)	$ 0.01	$ 0.43	$ 0.08
Diluted (loss) income per common share attributable to SPAR Group, Inc.	$ (0.01)	$ 0.01	$ 0.43	$ 0.08
Weighted-average common shares outstanding – basic	23,435	23,237	23,591	23,201
Weighted-average common shares outstanding – diluted	23,435	23,376	23,768	23,350
Net (loss) income	$ (232)	$ 1,098	$ 11,024	$ 3,981
Other comprehensive loss				
Foreign currency translation adjustments	(72)	(497)	(1,220)	(359)
Comprehensive (loss) income	(304)	601	9,804	3,622
Comprehensive (income) loss attributable to non-controlling interest	45	(688)	142	(1,788)
Comprehensive (loss) income attributable to SPAR Group, Inc.	$ (259)	$ (87)	$ 9,946	$ 1,834

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 19,652	$ 10,719
Accounts receivable, net	37,777	59,776
Prepaid expenses and other current assets	3,078	5,614
Total current assets	**60,507**	**76,109**
Property and equipment, net	2,142	2,871
Operating lease right-of-use assets	838	2,323
Goodwill	1,238	1,382
Intangible assets, net	693	1,180
Deferred income taxes, net	-	4,687
Other assets	1,978	1,729
Total assets	$ **67,396**	$ **90,281**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 9,220	$ 9,488
Accrued expenses and other current liabilities	3,713	15,274
Due to affiliates	623	3,205
Customer incentives and deposits	1,678	1,905
Lines of credit and short-term loans	18,538	17,530
Current portion of operating lease liabilities	508	1,163
Total current liabilities	**34,280**	**48,565**
Operating lease liabilities, net of current portion	330	1,160
Long-term debt	1,707	310
Deferred income taxes, net	1,538	-
Total liabilities	**37,855**	**50,035**
Commitments and contingencies – See Note 4		
Stockholders' equity:		
Series B convertible preferred stock, $0.01 par value per share: Authorized and available shares 3,000,000. Issued and outstanding shares 0 at September 30, 2024 and 650,000 at December 31, 2023	-	7
Common stock, $0.01 par value per share: 47,000,000 shares authorized as of September 30, 2024 and December 31, 2023; 23,448,675 and 23,446,444 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	234	232
Treasury stock, at cost, 1,205,485 shares as of September 30, 2024 and 205,485 as of December 31, 2023	(2,075)	(285)
Additional paid-in capital	13,151	21,004
Accumulated other comprehensive loss	(2,022)	(3,341)
Retained earnings	20,007	10,609
Total stockholders' equity attributable to SPAR Group, Inc.	**29,295**	**28,226**
Non-controlling interest	246	12,020
Total stockholders' equity	**29,541**	**40,246**
Total liabilities and stockholders' equity	$ **67,396**	$ **90,281**

See accompanying notes to the unaudited condensed consolidated financial statements.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)
(In thousands)

	Common Stock		Series B Convertible Preferred Stock		Treasury Stock		Additional	Accumulated Other		Non-	Total
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Paid-In Capital**	**Comprehensive Loss**	**Retained Earnings**	**Controlling Interest**	**Stockholders' Equity**
Balance at January 1, 2024	23,241	$ 232	650	$ 7	205	$ (285)	$ 21,004	$ (3,341)	$ 10,609	$ 12,020	$ 40,246
Share-based compensation	-	-	-	-	-	-	128	-	-	-	128
Conversion of preferred stock to common stock	975	10	(650)	(7)	-	-	(1)	-	-	-	2
Sale of joint ventures	-	-	-	-	-	-	-	712	(712)	(4,981)	(4,981)
Other comprehensive loss	-	-	-	-	-	-	-	(2,030)	-	(490)	(2,520)
Net income	-	-	-	-	-	-	-	-	6,627	554	7,181
Balance at March 31, 2024	**24,216**	**$ 242**	**-**	**$ -**	**205**	**$ (285)**	**$ 21,131**	**$ (4,659)**	**$ 16,524**	**$ 7,103**	**$ 40,056**
Share-based compensation	-	-	-	-	-	-	128	-	-	-	128
Exercise of stock options	204	2	-	-	-	-	(403)	-	-	-	(401)
Sale of joint ventures	-	-	-	-	-	-	(7,518)	1,412	-	(4,509)	(10,615)
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	(2,115)	(2,115)
Purchase of treasury shares	(1,000)	(10)	-	-	1,000	(1,790)	-	-	-	-	(1,800)
Other comprehensive income	-	-	-	-	-	-	-	979	-	393	1,372
Net income	-	-	-	-	-	-	-	-	3,627	448	4,075
Balance at June 30, 2024	**23,420**	**$ 234**	**-**	**$ -**	**1,205**	**$ (2,075)**	**$ 13,338**	**$ (2,268)**	**$ 20,151**	**$ 1,320**	**$ 30,700**
Share-based compensation	-	-	-	-	-	-	(149)	-	-	-	(149)
Exercise of stock options	28	-	-	-	-	-	-	-	-	-	-
Sale of joint ventures	-	-	-	-	-	-	(38)	273	-	(941)	(706)
Other comprehensive income	-	-	-	-	-	-	-	(27)	-	(45)	(72)
Net loss	-	-	-	-	-	-	-	-	(144)	(88)	(232)
Balance at September 30, 2024	**23,448**	**$ 234**	**-**	**$ -**	**1,205**	**$ (2,075)**	**$ 13,151**	**$ (2,022)**	**$ 20,007**	**$ 246**	**$ 29,541**

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Continued)
(Unaudited)
(In thousands)

	Common Stock		Series B Preferred Stock		Treasury Stock		Additional	Accumulated Other		Non-	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Paid-In Capital**	**Comprehensive Loss**	**Retained Earnings**	**Controlling Interest**	**Total Stockholders' Equity**
Balance at January 1, 2023	22,961	$ 229	855	$ 9	205	$ (285)	$ 20,708	$ (4,941)	$ 6,707	$ 15,634	$ 38,061
Share-based compensation expense	-	-	-	-	-	-	173	-	-	-	173
Conversion of preferred stock to common stock	307	4	(205)	(2)	-	-	3	-	-	-	5
Dividend to NCI	-	-	-	-	-	-	-	-	-	(334)	(334)
Other comprehensive income (loss)	-	-	-	-	-	-	-	85	-	92	177
Net income	-	-	-	-	-	-	-	-	866	911	1,777
Balance at March 31, 2023	**23,268**	**$ 233**	**650**	**$ 7**	**205**	**$ (285)**	**$ 20,884**	**$ (4,856)**	**$ 7,573**	**$ 16,303**	**$ 39,859**
Share-based compensation	-	-	-	-	-	-	(39)	-	-	-	(39)
Dividend to NCI	-	-	-	-	-	-	-	-	-	(850)	(850)
Payments to acquire noncontrolling interests	-	-	-	-	-	-	-	-	-	(460)	(460)
Retirement of shares	(35)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	331	-	(370)	(39)
Net income	-	-	-	-	-	-	-	-	639	467	1,106
Balance at June 30, 2023	**23,233**	**$ 233**	**650**	**$ 7**	**205**	**$ (285)**	**$ 20,845**	**$ (4,525)**	**$ 8,212**	**$ 15,090**	**$ 39,577**
Share-based compensation	-	-	-	-	-	-	83	-	-	-	83
Exercise of stock options	8	(1)	-	-	-	-	-	-	-	-	(1)
Distribution to NCI	-	-	-	-	-	-	-	-	-	(490)	(490)
Other comprehensive income (loss)		-	-	-	-	-	-	(346)	-	(151)	(497)
Net income	-	-	-	-	-	-	-	-	259	839	1,098
Balance at September 30, 2023	23,241	$ 232	650	$ 7	205	$ (285)	$ 20,928	$ (4,871)	$ 8,471	$ 15,288	$ 39,770

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net income	$ **11,024**	$ **3,981**
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	1,443	1,574
Amortization of operating lease right-of-use assets	415	433
Provision for expected credit losses	133	138
Deferred income tax expense	4,577	(15)
Gain on sale of businesses	(11,154)	-
Share-based compensation expense	107	217
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,843)	(1,963)
Prepaid expenses and other current assets	(2,383)	1,635
Accounts payable	3,832	409
Operating lease liabilities	(415)	(433)
Accrued expenses, other current liabilities, due to affiliates and customer incentives and deposits	(2,466)	(4,336)
Net cash (used in) provided by operating activities	$ **(730)**	$ **1,640**
Cash flows from investing activities		
Purchases of property and equipment	(908)	(1,083)
Cash transferred in the sale of a business	(7,658)	-
Proceeds from the sale of joint ventures	18,094	-
Net cash provided by (used in) investing activities	$ **9,528**	$ **(1,083)**
Cash flows from financing activities		
Borrowings under line of credit	103,184	80,151
Repayments under line of credit	(97,782)	(79,520)
Proceeds from term debt	16	-
Repurchases of common stock	(1,800)	-
Payments of notes to seller	(1,843)	-
Payments to acquire noncontrolling interests	(250)	(473)
Dividend on noncontrolling interest	(1,315)	(1,674)
Net cash provided by (used in) financing activities	$ **210**	$ **(1,516)**
Effect of foreign exchange rate changes on cash	$ (75)	$ (426)
Net change in cash, cash equivalents and restricted cash	**8,933**	**(1,385)**
Cash, cash equivalents at beginning of period	**10,719**	**9,345**
Cash, cash equivalents at end of period	$ **19,652**	$ **7,960**
Supplemental disclosure of cash flows information:		
Cash paid for interest	$ 1,640	$ 1,302
Cash paid for income taxes	$ 277	$ 1,945

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Nature of the Business

SPAR Group, Inc. ("SGRP" or the "Corporation"), and its subsidiaries (and SGRP together with its subsidiaries may be referred to as "SPAR Group", the "Company", "SPAR", "We", or "Our") is a global merchandising and brand marketing services company, providing a broad range of services to retailers, consumer goods manufacturers and distributors around the world.

2. Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 included in the 2023 Annual Report on Form 10-K that was filed with the Securities and Exchange Commission on April 1, 2024.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the included disclosures are adequate, and the accompanying unaudited condensed consolidated financial statements contain all adjustments which are necessary for a fair presentation of the Company’s consolidated financial position as of September 30, 2024, consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2024 and 2023, and consolidated cash flows for the nine months ended September 30, 2024 and 2023. Such adjustments are of a normal and recurring nature. The consolidated results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the consolidated results of operations that may be expected for the year ending December 31, 2024.

Principles of Consolidation

The Company consolidates its 100%-owned subsidiaries and all of the 51%-owned joint ventures in which the Company has a controlling financial interest. All significant intercompany transactions have been eliminated in the unaudited condensed consolidated financial statements.

Use of Estimates

The preparation of the unaudited condensed 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, the amounts disclosed for contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant balances subject to such estimates and assumptions include carrying amounts of property and equipment and intangible assets, valuation allowances for receivables, carrying amounts for deferred tax assets and liabilities, and liabilities incurred from operations and customer incentives. Actual results could differ from those estimates.

Segment Reporting

Reportable segments are components of the Company for which separate financial information is available that is evaluated on a regular basis by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's CODM is the Chief Executive Officer.

The Company provides similar merchandising, marketing and business services and has three reportable regional segments: (i) Americas, which is comprised of United States, Canada, Brazil and Mexico; (ii) Asia-Pacific ("APAC"), which is comprised of Japan, China, and India; and (iii) Europe, Middle East and Africa ("EMEA"), which is comprised of South Africa. Certain corporate expenses have been allocated to segments based on each segment’s revenue as a percentage of total company revenue.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280):Improvements to Reportable Segment Disclosures*, which will require Companies to report additional segment information, including certain significant segment expenses, and permit the disclosure of additional measures of a segment's profit or loss. The guidance will be effective for the Company's fiscal year beginning January 1, 2024 and for interim periods thereafter. The Company adopted ASU No. 2023-07 on January 1, 2024 and the impact was not material.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805):Recognition and Initial Measurement*, which will require joint ventures to recognize and initially measure its assets and liabilities at fair value upon formation. The guidance will be effective for the Company prospectively for all joint venture formations on or after January 1, 2025. Early adoption and retrospective application is permitted. The Company does not believe adoption will have a material effect on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740):Improvements to Income Tax Disclosures*, which will require Companies to report specific categories of rate-reconciliation, certain details of income taxes paid and of certain information by tax jurisdictions. The guidance will be effective for the Company's fiscal year beginning January 1, 2025. The Company is currently evaluating the impact adoption will have on its consolidated financial statements and related disclosures.

3. Debt

North Mill Capital Credit Facility

The Company, through SPAR Marketing Force, Inc. ("SMF") and SPAR Canada Company ULC ("SCC", and collectively with SMF, the "NM Borrowers"), has a secured revolving credit facility in the United States (the "US Revolving Credit Facility") and Canada (the "Canada Revolving Credit Facility", and collectively with the US Revolving Credit Facility, the "NM Credit Facility") with North Mill Capital, LLC, d/b/a SLR Business Credit ("NM").

In order to obtain, document and govern the NM Credit Facility, SMF, SCC, SGRP and certain of SGRP's direct and indirect subsidiaries in the United States and Canada (including SMF and SCC as borrowers and SGRP as a guarantor, collectively, the "NM Loan Parties") entered into a Loan and Security Agreement with NM dated as of April 10, 2019, which, as amended from time to time (as amended, the "NM Loan Agreement"), governs the NM Credit Facility. Pursuant to the NM Loan Agreement, the NM Borrowers agreed to reimburse NM for legal and documentation fees incurred in connection with the NM Loan Agreement and such amendments.

On February 1, 2023, the NM Loan Parties and NM executed and delivered a Sixth Modification Agreement, effective immediately (the "Sixth Modification Agreement"), pursuant to which the NM Loan Parties and NM agreed to increase the amount of the US Revolving Credit Facility to $28.0 million and increase the Canada Revolving Credit Facility to CDN$2.0 million. In addition, the Sixth Modification Agreement increased the cap on unbilled accounts in the borrowing base for SMF to $7.0 million from $6.5 million.

On March 27, 2024, the NM Loan Parties and NM executed and delivered a Seventh Modification Agreement, effective immediately (the "Seventh Modification Agreement"), pursuant to which the NM Loan Parties and NM agreed to extend the NM Credit Facility from October 10, 2024 to October 10, 2025.

The Restated US Note and Restated Canadian Note (together, the "NM Notes") and the NM Loan Agreement together require the NM Borrowers to pay interest on the loans thereunder equal to: (i) the Prime Rate designated from time to time by Wells Fargo Bank; plus (ii) one and nine-tenths percentage points (1.90%) or an aggregate minimum of 6.75% per annum. In addition, the NM Borrowers are paying a facility fee to NM in an amount equal to: (i) for the year commencing on October 10, 2022, approximately $0.1 million plus 0.80% of the amount of any advances other than under the US Revolving Credit Facility plus an additional facility fee of $15,000 for every incremental $1.0 million of loan balance in excess of $21.0 million, and (ii) for the year commencing on October 10, 2023, approximately $0.2 million plus 0.80% of the amount of any advances other than under the US Revolving Credit Facility plus an additional facility fee of $15,000 for every incremental $1.0 million of loan balance in excess of $21.0 million. For the Sixth Modification Agreement, the NM Borrowers paid NM a fee of approximately $28,000.

As of September 30, 2024, the aggregate interest rate was 9.90% per annum and the aggregate outstanding loan balance was approximately $17.8 million, which is included within lines of credit and short-term loans in the unaudited condensed consolidated balance sheets. The aggregate outstanding loan balance is divided between the US Revolving Credit Facility and the Canada Revolving Credit Facility as follows: (i) the outstanding loan balance under the US Revolving Credit Facility was approximately $16.3 million; and (ii) the outstanding loan balance under the Canada Revolving Credit Facility was approximately $1.5 million.

The NM Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the NM Loan Parties, including maintaining a positive trailing EBITDA for each the NM Borrowers (i.e., SMF and SCC) and imposes limits on all of the NM Loan Parties (including SGRP) on non-ordinary course payments and transactions, incurring or guaranteeing indebtedness, capital expenditures and certain other investments. The NM Loan Parties were in compliance with such covenants as of September 30, 2024. The obligations of the NM Borrowers are secured by the receivables and other assets of the NM Borrowers and substantially all of the assets of the other NM Loan Parties.

Summary of the Company's lines of credit and short-term loans (in thousands):

	Interest Rate as of September 30, 2024	Balance as of September 30, 2024	Interest Rate as of December 31, 2023	Balance as of December 31, 2023
USA / Canada North Mill Capital	9.90%	$ 17,788	10.40%	$ 12,475
USA - Resource Plus Seller Notes	4.30%	750	1.85%	1,120
China- Industrial Bank	N/A	-	3.56%	283
China - Industrial and Commercial Bank of China	N/A	-	4.00%	283
South Africa - Investec Bank Ltd.	N/A	-	11.75%	3,369
Total		**$ 18,538**		**$ 17,530**

Summary of Unused Company Credit and Other Debt Facilities (in thousands):

	September 30, 2024	December 31, 2023
Unused Availability:		
United States / Canada	$ 11,692	$ 6,525
South Africa	-	2,064
Total Unused Availability	$ 11,692	$ 8,589

Summary of the Company's Long- term debt (dollars in thousands):

	Interest Rate as of September 30, 2024	Balance as of September 30, 2024	Interest Rate as of December 31, 2023	Balance as of December 31, 2023
USA - Resource Plus Seller Notes	4.30%	$ 1,707	N/A	$ -
South Africa - Investec Bank Ltd.	N/A	-	11.75%	310
		$ 1,707		**$ 310**

4. Commitments and Contingencies

Legal Matters

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, resolution of these matters is not anticipated to have a material adverse effect on the Company or its estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

5. Common Stock

As of September 30, 2024, the Corporation's certificate of incorporation authorized the Corporation to issue 47,000,000 shares of common stock, par value $0.01 per share.

The voting, dividend and liquidation rights of the holders of the Corporation's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Corporation's Series B convertible preferred stock. Each share of the Corporation's common stock is entitled to one vote on all matters submitted to a vote of the Corporation's stockholders. Holders of the Corporation's common stock are entitled to receive dividends as may be declared by the Corporation's board of directors (the "Board"), if any, subject to the preferential dividend rights of the Corporation's Series B convertible preferred stock. No cash dividends had been declared or paid during the periods presented.

2024 Stock Repurchase Program

On March 28, 2024, the Board approved SGRP's repurchase of up to 2,500,000 of SGRP's Shares of Common Stock ("SGRP Shares") under the 2024 Stock Repurchase Program (the "2024 Stock Repurchase Program"), which repurchases would be made from time to time over a one-year period in the open market and through privately-negotiated transactions, subject to cash availability and general market and other conditions. Pursuant to the 2024 Stock Repurchase Program, on May 3, 2024, SGRP's Board and its Audit Committee approved SGRP's Repurchase Agreement with William H. Bartels for SGRP's private repurchase of 1,000,000 shares of SGRP's Common Stock from William H. Bartels, dated and effective as of April 30, 2024, at a purchase price of $1.80 per share (the Nasdaq closing price on April 29, 2024). Mr. Bartels is a Director and significant stockholder of SGRP, is one of the founders of the Company, and is an affiliate and related party of SGRP. There have been no other share repurchases to date under the 2024 Stock Repurchase Program.

6. Preferred Stock

The Corporation's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of $0.01 per share, which may have such preferences and priorities over the Corporation's common stock and other rights, powers and privileges as the Board of may establish in its discretion.

In January 2022, the Corporation filed a Certificate of Elimination for its "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "Certificate of Elimination"). Pursuant to the Certificate of Elimination, the previous Series A convertible preferred stock designation was cancelled and withdrawn. As a result, all 3,000,000 shares of the previously authorized Series A convertible preferred stock were returned to the Corporation's authorized "blank check" preferred stock. There were no shares of Series A convertible preferred stock outstanding at the time of the cancellation.

Subsequent to filing the Certificate of Elimination, in January 2022, the Corporation filed a "Certificate of Designation of Series "B" Preferred Stock of SPAR Group, Inc." (the "Preferred Designation") with the Secretary of State of Delaware, which designation had been approved by the Board in January 2022. The Preferred Designation created a series of 2,000,000 shares of convertible preferred stock designated as "Series B" convertible preferred stock, par value of $0.01 per share.

The Series B convertible preferred stock do not carry any voting or dividend rights and upon vesting converted into the Corporation's common stock at a ratio of 1-to-1.5. See Note 8. The holders of the Series B convertible preferred stock had a liquidation preference over the Corporation's common stock and voted together for matters pertaining only to the Series B convertible preferred stock where only the holders of the Series B convertible preferred stock are entitled to vote. The holders of outstanding Series B Preferred Stock do not have the right to vote for directors or other matters submitted to the holders of the Corporation's common stock.

In January 2022, 2,000,000 shares of Series B convertible preferred stock were issued to the majority stockholders and related parties pursuant to the Change of Control, Voting and Restricted Stock Agreement. See Note 8.

During the year ended December 31, 2022, 1,145,247 shares of Series B convertible preferred stock converted to 1,717,870 shares of the Corporation's common stock. As of the year ended December 31, 2022, 854,753 shares of Series B convertible preferred stock were outstanding, which upon vesting would automatically convert into 1,282,129 shares of the Corporation's common stock.

During the year ended December 31, 2023, all of the remaining 854,753 shares of Series B convertible preferred stock vested and automatically became convertible into 1,282,129 shares of the Corporation's common stock of which 307,129 shares of the Corporation's Common Stock were issued prior to December 31, 2023. The remaining 975,000 shares of SGRP Common Stock were in the process of being issued and the remaining shares of Series B Preferred Stock were in the process of being returned and cancelled at December 31, 2023. These issuances and cancellations were completed during the quarter ending March 31, 2024.

7. Share-Based Compensation

Stock Options

For the three months ended September 30, 2024 and 2023, the Company recognized share-based compensation expense related to stock options of approximately $(20) thousand and $15 thousand, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized share-based compensation expense related to stock options of approximately $14 thousand and $45 thousand, respectively.

Restricted Stock Units

For the three months ended September 30, 2024 and 2023, the Company recognized share-based compensation expense related to restricted stock units of approximately $(129) thousand and $68 thousand, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized share-based compensation expense related to restricted stock units of approximately $93 thousand and $172 thousand, respectively.

2023 and 2022 Executive Deferred Compensation Agreements

The Corporation prepared a 2022 Stock Compensation Plan that would have included Awards for NQSOs and RSUs (as defined below), but that plan was never submitted to its shareholders for approval. However, the Board had previously approved, for certain key executives, incentive stock-based awards for 2023 and 2022 using RSUs or cash. Since there were no plan based RSUs available, those executives instead received deferred compensation in the form of Phantom Stock Units ("PSUs"), which correspond to an equal number of shares of the Corporation's Common Stock ("SGRP Shares"). The number of PSUs received equals the dollar value of the incentive award divided by the per share market price of SGRP shares on the date of award. Each PSU represents the right of the grantee to receive cash payments based on the fair market value of SGRP Shares at the time of vesting, but not to receive SGRP Shares themselves. The number of the Grantee's PSUs will be automatically adjusted to reflect the specified events respecting the SGRP Shares as provided in the applicable Phantom Stock Agreement. The PSUs do not possess the rights of common stockholders of the Corporation, including any voting or dividend rights, and cannot be exercised or traded for SGRP Shares.

Effective as of March 24, 2022 (the "2022 Grant Date"), the Corporation issued an award of 111,111 PSUs to each of its Executives: Kori G. Belzer; William Linnane; and Ron Lutz. Vesting will occur in three tranches of one-third each over the three (3) year period following the 2022 Grant Date, provided that: (i) the Grantee is an employee of the Company at the time; and (ii) the Corporation achieved 90% of the agreed upon financial target for 2022. As of December 31, 2023, the Company had determined that the 2022 performance target had not been met and the first tranche of those PSUs did not vest. The Board approved in October 2023 that the second and third tranches of those PSUs will respectively vest on the second and third anniversary of the 2022 Grant Date with no additional vesting criteria.

Effective as of April 3, 2023 (the "2023 Grant Date"), the Corporation granted an award of 181,818 PSUs to each of its Executives: Kori G. Belzer; William Linnane; and Ron Lutz. The PSUs granted and issued to each such grantee shall vest over the three-year period following the Grant Date provided that the Grantee is an employee of the Company on the applicable vesting date; and the first tranche of those PSUs was to have vested upon the achievement by the Company of 70% or greater of the budgeted 2023 Global EBIT. If the first-year metrics are achieved, the second and third tranches will respectively vest on the second and third anniversary of the 2023 Grant Date with no additional vesting criteria. As of March 31, 2024, the Company determined that the 2023 performance target had been met, the first tranche of those PSUs had vested, and the second and third tranches of those PSUs will respectively vest on the second and third anniversary of the 2023 Grant Date with no additional vesting criteria.

Effective as of the 2023 Grant Date, the Corporation also granted an award of 378,788 PSUs to Michael R. Matacunas, the Chief Executive Officer and President of the Corporation. All of the PSUs granted and issued to him will vest over a one-year period following the 2023 Grant Date provided that the Grantee is an employee of the Company on April 3, 2024, upon the achievement by the Company of 70% or greater of the budgeted 2023 Global EBIT. As of March 31, 2024, the Company had determined that the 2023 performance target had been met, and all of those PSUs have vested.

Effective as of the 2023 Grant Date, the Corporation also granted an award of 75,758 PSUs to Antonio Calisto Pato, the Chief Financial Officer, Secretary and Treasurer of the Corporation. All of the PSUs granted and issued to him will vest over the one-year period following the 2023 Grant Date provided that the Grantee is an employee of the Company on April 3, 2024, upon the achievement by the Company of 70% or greater of the budgeted 2023 Global EBIT. As of March 31, 2024, the Company had determined that the 2023 performance target had been met, and all of those PSUs have vested.

8. Related Party Transactions

Domestic Related Party Transactions

Change of Control, Voting and Restricted Stock Agreement

The Change of Control, Voting and Restricted Stock Agreement (the "CIC Agreement") became effective on January 28, 2022, when signed by the Company and Mr. Robert G. Brown, ("Mr. Brown"), Mr. William H. Bartels ("Mr. Bartels"), SPAR Administrative Services, Inc. ("SAS"), and SPAR Business Service, Inc. ("SBS"). Mr. Brown, Mr. Bartels, SAS and SBS may be referred to collectively as the "Majority Stockholders".

Pursuant to the CIC Agreement, the Corporation issued to the Majority Stockholders 2,000,000 restricted shares of Series B Preferred Stock, which converted into 3,000,000 SGRP Shares pursuant to the 1:1.5 conversion ratio set forth in the CIC Agreement. The final shares under the CIC Agreement vested on November 10, 2023, and all of the corresponding SGRP Shares had been issued or were in the process of being issued by December 31, 2023.

Pursuant to the CIC Agreement, all actions, claims and demands between the Majority Stockholders and the Corporation were resolved; and the Majority Stockholders and their affiliates during the five-year term of the CIC Agreement, ending on June 25, 2027, have agreed to give up certain rights with respect to the management of the Corporation.

Bartels' Retirement and Director Compensation

Mr. William H. Bartels retired as an employee of the Company as of January 1, 2020 but continues to serve as a member of SPAR's Board. Mr. Bartels is also one of the founders and a significant stockholder of SGRP. Effective January 18, 2020, SPAR's Governance Committee proposed and unanimously approved retirement benefits for the five-year period commencing January 1, 2020, and ending December 31, 2024 (the "Five-Year Period"), for Mr. Bartels. The aggregate value of benefits payable to Mr. Bartels is approximately $0.2 million per year and a total of $1.1 million for the Five-Year Period.

As of September 30, 2024, there are approximately $58 thousand of benefits payable, which are included in accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets.

Other Related Party Transactions and Arrangements

On April 18, 2024, the Company entered into a Securities Purchase Agreement to buy from Mr. Richard Justus the remaining minority joint venture interests of Resource Plus and its sister companies, Mobex of North Florida, Inc., and Leasex, LLC. Based on the terms set in the original joint venture agreement, the Company will pay a total of $3 million in annual payments over a five-year period. $250,000 was paid within five business days of closing, and the remaining $2,750,000 will be paid pursuant to a Secured Promissory Note. The agreement resulted in the termination of all relevant shareholder and operating agreements, although specific confidentiality obligations remain effective for three years post-closing and specific mutual releases were provided. The purchase was closed and completed on May 1, 2024. As of September 30, 2024, $250,000 has been paid and the remaining $2,750,000 Promissory Note is outstanding.

On December 1, 2021, the Corporation entered into the Agreement for Marketing and Advertising Services (the "WB Agreement") with WB Marketing, Inc. (the "Agent", and together with the Company, the "Parties"). The Agent is an entity owned and controlled by Mrs. Jean Matacunas who is the wife of President and Chief Executive Officer, Michael R. Matacunas. During the first nine months of 2024, the company his recognized approximately $101,000 in expenses under this agreement.

SBS and Infotech are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. See *Change of Controls, Voting and Restricted Stock Agreement*, above. In July 1999 the Company, SBS and Infotech entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and has the right to unilaterally license and exploit certain portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software are co-owned with SBS and Infotech, and each entered into a non-exclusive royalty-free license from the Company to use certain "SPAR" trademarks in the United States.

On May 13, 2024, SGRP privately repurchased 1,000,000 shares of SGRP's Common Stock from William H. Bartels, effective as of April 30, 2024, at a purchase price of $1.80 per share (the Nasdaq closing price on April 29, 2024).

International Joint Venture Transactions

Agreement to sell the Company's ownership interest in its South African Joint Venture

Prior to March 31, 2024, SGRP Meridian Proprietary Limited ("Meridian") was a consolidated international subsidiary of the Company and was owned 51% by the Company and 49% by Friedshelf (Pty) Ltd., Lindicom Proprietary Limited, and Lindicom Empowerment Holdings Proprietary Limited ("Local Owners").

On February 7, 2024, the Company entered into an agreement to sell its 51% ownership interest in Meridian to the Local Owners for 180,700,000 South African Rand, 80% of which would be paid upon closing.

The closing conditions under that agreement were satisfied in all material respects by March 31, 2024. and on April 29, the Company received 144,560,000 South African Rand from the Local Buyers (or approximately $7.7 million). The remaining purchase price will be paid on December 31, 2024 or 2025, depending on certain financial triggers, and its payment is secured by an irrevocable unconditional guarantee from Investec Bank Limited. The Company has also licensed certain technology (including SPARView) and trademarks to Meridian in connection with the sale. The Company has recognized a gain of $7.2 million in the first quarter of 2024 as a result of this transaction.

Agreement to sell the Company's ownership interest in its Chinese Joint Venture

On February 23, 2024, the Company entered into an agreement to sell its 51% ownership interest in SPAR (Shanghai) Marketing Management Co., Ltd. to Shanghai Jingbo Enterprise Consulting Co., Ltd. and Shanghai Wedone Marketing Management Co. Ltd. The total price to be paid to the Company is $200,000. The sale was completed in of April 2024.

Agreement to sell the Company's Brazilian subsidiary that owns its interest in its Brazilian Joint Venture

On March 26, 2024, the Company signed a share purchase agreement with JK Consultoria Empresarial Ltda. ("JKC") for JKC to acquire the Company's Brazilian holding company (which in turn owns the Company's 51 percent interest in its Brazilian joint venture subsidiary) for BRL 58.9 million or approximately $11.8 million. Closing of the sale occurred in June 2024.

Agreement to sell SPAR's 100% ownership interest in SPAR Japan

On July 23, 2024, the Company entered into an agreement to sell its 100% ownership interest in SPAR Japan for $500,000. The sale closed on August 30, 2024.

Agreement to sell SPAR's 51% ownership interest in its Indian Joint Venture

On September 25, 2024, the Company closed on an agreement to sell its 51% ownership interest in its Indian Joint venture for $500,000, effective as of August 31, 2024.

Summary of Certain Related Party Transactions

Due to related parties consists of the following as of the periods presented (in thousands):

Due to affiliates consists of the following (in thousands):	**September 30, 2024**	**December 31, 2023**
Loans from local investors:(1)		
Mexico	$ **623**	$ 623
China	**-**	2,316
Resource Plus	**-**	266
Total due to affiliates	$ **623**	$ 3,205

(1) Represent loans due from the local investors into the Company's subsidiaries (representing their proportionate share of working capital loans). The loans have no payment terms, are due on demand, and are classified as current liabilities in the unaudited condensed consolidated balance sheets.

9. Segment Information

Select statement of operations activity of the Company's reportable segments for the periods presented were (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenues:				
Americas	$ 35,494	$ 53,796	$ 144,189	$ 154,457
APAC	2,294	5,674	11,305	17,432
EMEA	-	7,863	8,277	25,760
Total net revenues	$ **37,788**	$ 67,333	$ **163,771**	$ 197,649
Operating (loss) income:				
Americas	$ (1,089)	$ 1,328	$ 14,569	$ 5,894
APAC	(403)	(218)	(822)	(510)
EMEA	-	431	227	1,304
Total operating (loss) income	$ **(1,492)**	$ 1,541	$ **13,974**	$ 6,688
Interest expense				
Americas	$ 581	$ 264	$ 1,577	$ 895
APAC	1	31	24	47
EMEA	-	85	77	306
Total interest expense	$ **582**	$ 380	$ **1,678**	$ 1,248
Other expense (income), net:				
Americas	$ (807)	$ 5	$ (1,101)	$ 22
APAC	556	(59)	$ 572	(69)
EMEA	723	(110)	713	(300)
Total other expense (income), net	$ **472**	$ (164)	$ **184**	$ (347)
(Loss) Income before income tax expense:				
Americas	$ (82)	$ 1,059	$ 13,666	$ 4,977
APAC	(1,752)	(190)	209	(488)
EMEA	(712)	456	(1,763)	1,298
Total (loss) income before income tax expense	$ **(2,546)**	$ 1,325	$ **12,112**	$ 5,787
Income tax (benefit) expense:				
Americas	$ (1,827)	$ (163)	$ 1,220	$ 1,068
APAC	(166)	45	(126)	8
EMEA	(321)	345	(6)	730
Total income tax (benefit) expense	$ **(2,314)**	$ 227	$ **1,088**	$ 1,806

Net (loss) income, depreciation and amortization expense, and capital expenditures of the Company's reportable segments for the periods presented were (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income:				
Americas	$ 1,745	$ 1,222	$ 12,446	$ 3,909
APAC	(1,586)	(235)	335	(496)
EMEA	(391)	111	(1,757)	568
Total net (loss) income	$ **(232)**	$ 1,098	$ **11,024**	$ 3,981
Net loss (income) attributable to non-controlling interest				
Americas	$ 104	$ (604)	$ (658)	$ (1,484)
APAC	(16)	5	30	(11)
EMEA	-	(240)	(286)	(722)
Total net loss (income) attributable to non-controlling interest	$ **88**	$ (839)	$ **(914)**	$ (2,217)
Net (loss) income attributable to SPAR Group, Inc.				
Americas	$ 1,849	$ 618	$ 11,788	$ 2,425
APAC	(1,602)	(230)	365	(507)
EMEA	(391)	(129)	(2,043)	(154)
Total net (loss) income attributable to SPAR Group, Inc.	$ **(144)**	$ 259	$ **10,110**	$ 1,764
Depreciation and amortization				
Americas	$ 445	$ 472	$ 1,348	$ 1,402
APAC	9	36	64	60
EMEA	-	40	31	112
Total depreciation and amortization	$ **454**	$ 548	$ **1,443**	$ 1,574
Capital expenditures:				
Americas	$ 127	$ 286	$ 903	$ 946
APAC	–	30	–	37
EMEA	–	49	5	100
Total capital expenditures	$ **127**	$ **365**	$ **908**	$ 1,083

There were no intercompany sales for the three and nine months ended September 30, 2024 and 2023.

Total assets of the Company's reportable segments as of the periods presented were (in thousands):

	September 30, 2024	December 31, 2023
Assets:		
Americas	$ 62,634	$ 71,372
APAC	4,762	13,361
EMEA	–	5,548
Total assets	$ **67,396**	$ 90,281

Long-lived assets of the Company's reportable segments as of the periods presented were (in thousands):

	September 30, 2024	December 31, 2023
Long lived assets:		
Americas	$ 4,073	$ 4,585
APAC	–	1,015
EMEA	–	745
Total long lived assets	**$ 4,073**	**$ 6,345**

Geographic Data (in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
		% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue
United States	$ 28,768	76.1%	$ 28,722	42.7%	$ 90,583	55.3%	$ 81,004	41.0%
Brazil	-	0.0%	18,619	27.7%	33,185	20.3%	56,717	28.7%
South Africa	-	0.0%	7,863	11.7%	8,277	5.1%	25,759	13.0%
Mexico	3,196	8.5%	3,033	4.5%	9,723	5.9%	8,065	4.1%
China	-	0.0%	2,205	3.3%	2,698	1.6%	7,106	3.6%
Japan	908	2.4%	1,489	2.2%	3,778	2.3%	4,533	2.3%
Canada	3,529	9.3%	3,421	5.1%	10,698	6.5%	8,671	4.4%
India	1,387	3.7%	1,577	2.3%	4,829	3.0%	4,420	2.2%
Australia	-	0.0%	404	0.6%	-	0.0%	1,374	0.7%
Total net revenue	**$ 37,788**	**100.0%**	$ 67,333	100.0%	**$ 163,771**	**100.0%**	$ 197,649	100.0%

10. Leases

The Company is a lessee under certain operating leases for office space and equipment.

The components of lease expenses consisted of the following for the periods presented (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Costs	**Classification**	**2024**	**2023**	**2024**	**2023**
Operating lease cost	Selling, General and Administrative Expense	$ 147	$ 71	$ 415	$ 212
Short-term lease cost	Selling, General and Administrative Expense	22	19	277	130
Variable costs	Selling, General and Administrative Expense	-	13	-	44
Total lease cost		**$ 169**	$ 103	**$ 692**	$ 386

(1) Variable lease expense consists primarily of property taxes, property insurance, and common area or other maintenance costs for the Company's leases of office space.

The following includes supplemental information for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Operating cash flows from operating leases	$ **105**	$ 233	$ **415**	$ 489
Right-of-use assets obtained in exchange for lease obligations				
Operating lease	$ **-**	$ 386	$ **-**	$ 1,497

Balance sheet information related to leases consisted of the following as of the periods presented (in thousands):

	September 30, 2024	December 31, 2023
Assets:		
Operating lease right-of-use assets	$ **838**	$ 2,323
Liabilities:		
Current portion of operating lease liabilities	**508**	1,163
Non-current portion of operating lease liabilities	330	1,160
Total operating lease liabilities	$ **838**	$ 2,323
Weighted-average remaining lease term - operating leases (in years)	**3.56**	2.64
Weighted-average discount rate - operating leases	**7.6%**	8.8%

The following table summarizes the maturities of lease liabilities as of September 30, 2024 (in thousands):

Period Ending December 31,	**Amount**
2024	$ 134
2025	438
2026	144
2027	114
2028	73
Total Lease Payments	903
Less: imputed interest	(65)
Total	$ 838

11. Earnings Per Share

The following table sets forth the computations of basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Numerator:				
Net (loss) income attributable to SPAR Group, Inc.	**$ (144)**	$ 259	**$ 10,110**	$ 1,764
Denominator:				
Shares used in basic net income per share calculation	**23,435**	23,237	**23,591**	23,201
Effect of diluted securities:				
Stock options and unvested restricted shares	**-**	139	**177**	149
Shares used in diluted net income per share calculations	**23,435**	23,376	**23,768**	23,350
Basic (loss) income per common share attributable to SPAR Group, Inc.	**$ (0.01)**	$ 0.01	**$ 0.43**	$ 0.08
Diluted (loss) income per common share attributable to SPAR Group, Inc.	**$ (0.01)**	$ 0.01	**$ 0.43**	$ 0.08

12. Subsequent Events

Potential Going Private Transaction

As previously announced, on August 30, 2024, the Corporation entered into an Agreement and Plan of Merger (the "Merger Agreement"), with Highwire Capital, LLC, a Texas limited liability company ("Highwire"), and Highwire Merger Co. I, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which Highwire, in a cash merger following approval by the Corporation's stockholders and the closing of the transaction, will acquire all of the stock of the Corporation for $2.50 per fully diluted share in cash, representing an aggregate purchase price of $58,000,000 (subject to certain adjustments). All outstanding stock options, restricted stock units and phantom stock units will vest and their holders will receive comparable compensation net of exercise prices (if any).

The board of directors of the Corporation (the "Board") approximately two years ago established a special committee consisting solely of independent directors (the "Special Committee") to, among other things, evaluate the advisability and fairness of strategic alternatives to the Corporation and its stockholders (including unaffiliated stockholders of the Corporation). They eventually received, negotiated and approved the letter of intent from Highwire ("LOI") previously announced on June 5, 2024, which led to the negotiation of the Merger Agreement.

The Special Committee and Board unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby ("Merger Transactions") are advisable, fair to and in the best interests of the Corporation and its stockholders, (ii) determined that it is advisable and in the best interests of the Corporation and its stockholders to enter into the Merger Transactions, (iii) approved the execution, delivery and performance by the Corporation of the Merger Transactions and (iv) recommend that the stockholders of the Corporation approve the Merger Transactions.

On October 2, 2024, the Corporation filed with the SEC and mailed to its stockholders its definitive Proxy Statement containing notification of the special meeting of SGRP's stockholders on October 25, 2024, to approve the Merger Agreement and the related transactions, which its stockholders approved at that meeting.. The parties to the Merger Agreement are working to finalize the closing of the Merger Transactions, which is expected in the fourth quarter of 2024.

South Africa Consent

On October 8, 2024, SGRP provided its consent to Friedshelf 401 Ltd, Lindicom Empowerment Holdings LTD and Lindicom, the acquirer of SGRP's 51% ownership in the South African joint venture, to allow the acquirer to add additional subscribers to their business. The Sale of Shares Agreement required SGRP to provide this consent as long as the second installment is outstanding. In return for this consent, SGRP received terms that provide for receipt of the second installment six months earlier upon achievement of agreed to performance criteria.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "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" or the "Corporation",) and its subsidiaries (and SGRP together with its subsidiaries may be referred to as "SPAR Group" or the "Company"). There also are forward-looking statements contained in: (a) SGRP's 2023 Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the "SEC") on April 1, 2024, and SGRP's First Amendment to the 2023 Annual Report on Form 10-K/A for the year ended December 31, 2023, as filed with the SEC on April 30, 2024 (as so amended, the "Annual Report"); and (b) 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 this Quarterly Report and the Annual Report, 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").

Readers can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. 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 Company in this Quarterly Report and the Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"). Those Risks include (without limitation): the impact of the Company's strategic review process or any resulting action or inaction; the impact of selling certain of the Company's subsidiaries or any resulting impact on revenues, earnings or cash; the impact of adding new directors or new finance team members; the potential negative effects of any stock repurchase and/or payment; the potential continuing negative effects of the COVID pandemic on the Company's business; the Company's potential non-compliance with applicable Nasdaq director independence, bid price or other rules; the Company's cash flow or financial condition; and plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate objectives. The Company's forward-looking statements also include (without limitation) those made (as applicable) in this Quarterly Report and the Annual Report in "Business", "Risk Factors", "Legal Proceedings", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Directors, Executive Officers and Corporate Governance", "Executive Compensation", "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", and "Certain Relationships and Related Transactions, and Director Independence".

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 Quarterly Report, the Annual Report, and the other applicable SEC Reports, 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, legal costs, 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 Quarterly Report and the Annual 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.

SPAR Group, Inc. and Subsidiaries

Overview of Our Business

SPAR Group is a leading merchandising and brand marketing services company, providing a broad range of sales enhancing services to retailers across most classes of trade and consumer goods manufacturers and distributors. The Company’s goal is to be the most creative, energizing and effective services company that drives sales, margins and operating efficiency for our brand and retail clients.

As of September 30, 2024, the Company operated in three countries: the United States, Canada, and Mexico. Across all of these countries, the Company executes programs through its multi-lingual logistics, reporting and communication technology, which provides clients value through real-time insight on store/product conditions.

With more than 50 years of experience and a diverse network of merchandising specialists around the world, the Company continues to grow its relationships with some of the world’s leading businesses. The combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates the Company from the competition.

The Company is dedicated to delivering a spectrum of specialized services tailored to enhance retail operations and profitability across the globe. Our team collaborates closely with clients to identify their primary goals, ensuring the execution of strategies that boost sales and profit margins. With a focus on merchandising and brand marketing, our specialists deploy a variety of programs aimed at maximizing product sell-through to consumers. These initiatives range from launching new products and setting up promotional displays to assembling fixtures and ensuring consistent stock availability, thus facilitating efficient reordering processes. Furthermore, we extend our expertise to sales enhancement and customer service improvement. As the retail landscape evolves, our team is adept at undertaking comprehensive store renovations and preparing new locations for their grand openings, ensuring they meet the modern consumer's expectations. Additionally, our distribution associates play a pivotal role in retail and consumer goods distribution centers, preparing these facilities for operation, optimizing system functionality, managing product logistics, and providing essential staffing solutions to meet our clients' needs effectively.

The Company’s business is led and operated from its headquarters in Auburn Hills, Michigan, with local leadership and offices in each country.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure of our operating performance and should not be considered as an alternative to net income as a measure of financial performance or any other performance measure derived in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). "Adjusted EBITDA" is defined as net income before (i) depreciation and amortization, (ii) interest expense, net, (iii) income tax expense, (iv) Board of Directors incremental compensation expense, (v) restructuring, (vi) goodwill impairment, (vii) nonrecurring legal settlement costs and associated legal expenses unrelated to the Company's core operations, and (viii) special items as determined by management. This metric is a supplemental measure of our operating performance that is neither required by, nor presented in accordance with, U.S. GAAP.

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in future periods, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

Our management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted to supplement U.S. GAAP measures of performance in the evaluation of the effectiveness of our business strategies and to make budgeting decisions.

Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditure or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;
- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do.

The following is a reconciliation of our net income to Adjusted EBITDA for the periods presented:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Consolidated net (loss) income	**$ (232)**	**$ 1,098**	**$ 11,024**	**$ 3,981**
Depreciation and amortization	454	548	1,443	1,574
Interest expense	582	380	1,678	1,248
Income tax (benefit) expense	(2,314)	227	1,088	1,806
Other (income) expense	472	(164)	184	(347)
Subtotal of Adjustments to Consolidated Net Income	(806)	991	4,393	4,281
Consolidated EBITDA	**$ (1,038)**	**$ 2,089**	**$ 15,417**	**$ 8,262**
Review of Strategic Alternatives	952	143	1,607	571
Loss (gain) on Sale of Businesses	922	-	(11,154)	-
Share based compensation	(149)	83	107	217
Legal costs / settlements - non recurring	-	140	-	140
Restructuring costs	-	28	256	28
Consolidated Adjusted EBITDA	**$ 687**	**$ 2,483**	**$ 6,233**	**$ 9,218**
Adjusted EBITDA attributable to non-controlling interest	(466)	(977)	(1,909)	(3,211)
Adjusted EBITDA attributable to SPAR Group, Inc.	**$ 221**	**$ 1,506**	**$ 4,324**	**$ 6,007**

RESULTS OF OPERATIONS

The following table sets forth selected financial data and data as a percentage of Net revenues for the periods indicated (in thousands):

For the three months ended September 30, 2024, compared to the three months ended September 30, 2023

	Three Months Ended September 30,			
	2024		**2023**	
	$	**%**	**$**	**%**
Net revenues	$ **37,788**	**100.0%**	$ 67,333	100.0%
Cost of revenues	**29,346**	**77.7**	53,960	80.1
Gross profit	**8,442**	**22.3**	13,373	19.9
Selling, general & administrative expense	**8,558**	**22.6**	11,284	16.8
Loss on sale of business	**922**	**2.4**	-	-
Depreciation & amortization	**454**	**1.2**	548	0.8
Operating (loss) income	**(1,492)**	**(1.5)**	1,541	2.3
Interest expense, net	**582**	**1.5**	380	0.6
Other expense (income), net	**472**	**1.2**	(164)	(0.2)
(Loss) income before income taxes	**(2,546)**	**(4.3)**	1,325	2.0
Income tax (benefit) expense	**(2,314)**	**(6.1)**	227	0.3
Net (loss) income	**(232)**	**1.8**	1,098	1.6
Net (loss) income attributable to non-controlling interest	**88**	**0.2**	(839)	(1.2)
Net income (loss) attributable to SPAR Group, Inc.	$ **(144)**	**(0.4)%**	$ 259	0.4%

Net Revenues

Net revenues for three months ended September 30, 2024 were $ 37.8 million, compared to $ 67.3 million for the three months ended September 30, 2023, a decrease of $ 29.5 , or 43.8% The decrease is primarily due to the exit of South Africa, Australia, Brazil, China, and the US NMS JV (which revenues are included within the 2023 numbers but not in current period) and having a partial quarter of results in 2024 for Japan and India, compared to prior year.

For the three months ended September 30, 2024 and 2023, the Americas net revenue was $ 35.5 million and $ 53.8 million, respectively, a decrease of $ 18.3 million, or 34.0%. The Americas 2024 second quarter revenue decline reflects the sale of Brazil in the second quarter. The US and Canada businesses experienced 18% and 3% growth in the current quarter, respectively, when compared to last year.

For the three months ended September 30, 2024 and 2023, APAC net revenue was $ 2.3 million and $ 5.7 million, respectively, a decrease of $ 3.4 million, or 59.6%. The lower 2024 results are driven by the exit of China and a partial quarter of revenues from Japan.

For the three months ended September 30, 2024 and 2023, EMEA net revenue was $0 and $ 7.9 million, respectively, a decrease of $ 7.9 million, or 100.0% driven by the sale of South Africa.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 77.5% of net revenue for the three months ended September 30, 2024 compared to 80.1% of net revenues for the three months ended September 30, 2023.

Cost of revenues for the three months ended September 30, 2024 were $ 29.3 million, compared to $ 54.0 million for the three months ended September 30, 2023, a decrease of $ 24.7 million, or 45.7%.

For the three months ended September 30, 2024 and 2023, the Americas cost of revenues were $ 27.4 million and $ 43.9 million, respectively, a decrease of $ 16.5 million, or 37.6%. The Americas cost of revenue as a percent of net revenue was 77.2% for the quarter ended September 30, 2024 and 81.6% for the quarter ended September 30, 2023, a decrease of 5.4%.

For the three months ended September 30, 2024 and 2023, APAC cost of revenues were $ 2.0 million and $ 4.1 million, respectively, a decrease of $ 2.1 million, or 51.2%. The APAC cost of revenue as a percent of net revenue was 87.0% and 71.9% for the quarter ended September 30, 2024 compared to the quarter ended September 30, 2023. The decrease in cost of revenues is due to the sale of China and Australia and a partial quarter for Japan and India.

For the three months ended September 30, 2024 and 2023, EMEA cost of revenues were $0 and $ 5.9 million, respectively a decrease of $ 5.9 million, or 100.0%. The EMEA cost of revenue as a percent of net revenue was 0.0% and 74.7% for the quarter ended September 30, 2024 compared to the quarter ended September 30, 2023. EMEA division was made up entirely of South Africa, which was sold at the end of the first quarter of 2024.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately $ 8.6 million, or 22.6% of net revenue, and approximately $ 11.3 million, or 16.8% of net revenue for the three months ended September 30, 2024 and 2023, respectively.

For the three months ended September 30, 2024 and 2023, Americas selling, general and administrative expenses were approximately $ 7.8 million and $ 8.1 million, respectively, a decrease of $ 0.3 or 3.7%. Americas selling, general, and administrative expenses were 22.0% of net revenues for the three months ended September 30, 2024 , compared to 15.1% for the three months ended September 30, 2023.

For the three months ended September 30, 2024 and 2023, APAC selling, general and administrative expenses were approximately $ 0.7 million and $ 1.7 million, respectively, a decrease of $ 1.0 million, or 58.8%. As a percentage of net revenues, selling, general, and administrative expenses for APAC were 30.4% and 29.8% for the three months ended September 30, 2024 and September 30, 2023, respectively.

For the three months ended September 30, 2024 and 2023, EMEA selling, general and administrative expenses were $0 and $ 1.4 million, respectively, a decrease of $ 1.4 million, or 100.0%. EMEA division was made up entirely of South Africa, which was sold at the end of the first quarter of 2024.

Depreciation and Amortization

For the three months ended September 30, 2024 and 2023, depreciation and amortization was approximately $ 0.5 million and $ 0.5 million, respectively.

Interest Expense

For the three months ended September 30, 2024 and 2023, interest expense was approximately $ 0.6 million and $ 0.4 million, respectively.

Other Expense (Income), Net

For the three months ended September 30, 2024 and 2023, other expense (income), net was approximately $ 0.5 million and $ (0.2) million, respectively.

Income Tax Expense

For the three months ended September 30, 2024 and 2023, income tax expense was approximately $ (2.3) million with an effective rate of 90.9% and $ 0.2 million with an effective rate of 17.1%, respectively.

For the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023

	Nine Months Ended September 30,			
	2024		2023	
	$	%	$	%
Net revenues	$ **163,771**	**100.0%**	$ 197,649	100.0%
Cost of revenues	**131,801**	**80.5**	157,042	79.5
Gross profit	**31,970**	**19.5**	40,607	20.5
Selling, general & administrative expense	**27,707**	**16.9**	32,345	16.4
Gain on sale of business	**(11,154)**	**(6.8)**	-	-
Depreciation & amortization	**1,443**	**0.9**	1,574	0.8
Operating income	**13,974**	**1.7**	6,688	3.4
Interest expense, net	**1,678**	**1.0**	1,248	0.6
Other expense (income), net	**184**	**0.1**	(347)	(0.2)
Income before income taxes	**12,112**	**0.6**	5,787	2.9
Income tax expense	**1,088**	**0.7**	1,806	0.9
Net income	**11,024**	**(0.1)**	3,981	2.0
Net income attributable to non-controlling interest	**(914)**	**(0.6)**	(2,217)	(1.1)
Net income attributable to SPAR Group, Inc.	$ **10,110**	**6.2%**	$ 1,764	0.9%

Net Revenues

Net revenues for nine months ended September 30, 2024 were $ 163.8 million, compared to $ 197.6 million for the nine months ended September 30, 2023, a decrease of $ 33.8 million, or 17.1%. The decline in consolidated revenues is driven by the exit of Australia and the US NMS JV as of the end of 2023 and having exited South Africa, Brazil, India, Japan, and China at various points during the first three quarters of 2024 (for which revenues are included within the 2023).

For the nine months ended September 30, 2024 and 2023, the Americas net revenue was $ 144.2 million and $ 154.5 million, respectively, a decrease of $ 10.3 million, or 6.7% reflecting strong growth in revenues in our US and Canadian operations, partially offset by lower revenues caused by the sale of Brazil in 2024.

For the nine months ended September 30, 2024 and 2023, APAC net revenue was $ 11.3 million and $ 17.4 million, respectively, a decrease of $ 6.1 million, or 35.1%.

For the nine months ended September 30, 2024 and 2023, EMEA net revenue was $ 8.3 million and $ 25.8 million, respectively, a decrease of $ 17.5 million, or 67.8%. The decline in EMEA net revenues compared to 2023 reflects the sale of the joint venture as of March 31, 2024.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 80.5% of net revenue for the nine months ended September 30, 2024 compared to 79.5% of net revenues for the nine months ended September 30, 2023. The decrease in gross margin is mainly due to the revenue mix in the US (see hereunder in Americas); and (ii) a material decrease in margin in South Africa (see hereunder in EMEA) during the first quarter when SPAR owned that business.

Cost of revenues for the nine months ended September 30, 2024 were $ 131.8 million, compared to $ 157.0 million for the nine months ended September 30, 2023, a decrease of $ 25.2 million, or 16.1%.

For the nine months ended September 30, 2024 and 2023, the Americas cost of revenues were $ 115.7 million and $ 123.9 million, respectively, a decrease of $ 8.2 million, or 6.6%. The Americas cost of revenue as a percent of net revenue was 80.2% for the nine months ended September 30, 2024 and 80.2% for the nine months ended September 30, 2023, an increase of 0.0%.

For the nine months ended September 30, 2024 and 2023, APAC cost of revenues were $ 9.1 million and $ 12.9 million, respectively, a decrease of $ 3.8 million, or 29.5%. The APAC cost of revenue as a percent of net revenue was 80.5% and 74.1% for nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The change in cost of revenue at APAC was driven primarily by the exit of China and Australia.

For the nine months ended September 30, 2024 and 2023, EMEA cost of revenues were $ 7.0 million and $ 20.2 million, respectively a decrease of $ 13.2 million, or 65.3%. The EMEA cost of revenue as a percent of net revenue was 0.0% and 78.3% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decline in EMEA cost of revenues compared to 2023 reflects the sale of the South African joint venture as of March 31, 2024.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately $ 27.7 million, or 16.9% of net revenue, and approximately $ 32.3 million, or 16.4% of net revenue for the nine months ended September 30, 2024 and 2023, respectively.

For the nine months ended September 30, 2024 and 2023, Americas selling, general and administrative expenses were approximately $ 23.8 million and $ 23.2 million, respectively, an increase of 2.6%. Americas selling, general and administrative expenses were 16.5% of net revenues and 15.0% for the nine months ended September 30, 2024 and 2023, respectively.

For the nine months ended September 30, 2024 and 2023, APAC selling, general and administrative expenses were approximately $ 2.9 million and $ 5.0 million, respectively, a decrease of $ 2.1 million, or 42.0%.

For the nine months ended September 30, 2024 and 2023, EMEA selling, general and administrative expenses were approximately $ 1.0 million and $ 4.2 million, respectively, a decrease of $ 3.2 million, or 76.2%. The decline in EMEA SG&A compared to 2023 reflects the sale of the South African joint venture as of March 31, 2024.

Depreciation and Amortization

For the nine months ended September 30, 2024 and 2023, depreciation and amortization was approximately $ 1.4 million and $ 1.6 million, respectively.

Interest Expense

For the nine months ended September 30, 2024 and 2023, interest expense was approximately $ 1.7 million and $ 1.2 million, respectively.

Other Expense (Income), Net

For the nine months ended September 30, 2024 and 2023, other expense (income), net was approximately $ 0.2 million and $ (0.3) million, respectively.

Income Tax Expense

For the nine months ended September 30, 2024 and 2023, income tax expense was approximately $ 1.1 million with an effective rate of 9.0% and $ 1.8 million with an effective rate of 31.2%, respectively.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with US GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and related notes thereto. However, we believe we have used reasonable estimates and assumptions in preparing the unaudited condensed consolidated financial statements. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

The significant accounting policies and estimates used in preparation of the unaudited condensed consolidated financial statements are described in our audited consolidated financial statements as of and for the fiscal year ended December 31, 2023, and the notes thereto, which are included in the 2023 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on April 1, 2024. Except as detailed in Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to our significant accounting policies during the nine months ended September 30, 2024.

Liquidity and Capital Resources

Funding Requirements

Cash from operations could be affected by various risks and uncertainties, including, but not limited to risks detailed in the section titled "Risk Factors" included elsewhere in our 2023 Annual Report on Form 10-K. The Company believes that based upon the continuation of the Company's existing credit facilities, projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing working capital and capital expenditure requirements over the next 12 months. However, delays in collection of receivables due from any of the Company's major clients, a significant reduction in business from such clients, or a negative economic downturn, could have a material adverse effect on the Company's business, cash resources, and ongoing ability to fund operations.

The Company is a party to various domestic and international credit facilities. These various domestic and international credit facilities require compliance with their respective financial covenants. See Note 3 to the Company's unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

***Cash Flows for the For the Nine months ended September 30, 2024* and 2023**

Net cash provided by (used in) operating activities was $(0.7) million and $1.6 million for the nine months ended September 30, 2024 and 2023, respectively.

Net cash provided by (used in) investing activities was approximately $9.5 million and $(1.0) million for the nine months ended September 30, 2024 and 2023, respectively.

Net cash provided by (used in) financing activities was approximately $ 210 thousand and $(1.5) million for the nine months ended September 30, 2024 and 2023, respectively.

Reflecting the impact of foreign exchange rate changes on the activity above resulted in a decrease in cash, cash equivalents and restricted cash for the nine months ended September 30, 2024 and 2023 of approximately $ (75) thousand and $ (426) thousand, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, as our principal financial and accounting officer, have reviewed the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

Changes in Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer 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.

Because of its inherent limitations, internal control over financial reporting may not detect or prevent misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management utilized the criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to conduct an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2024. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of September 30, 2024.

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended September 30, 2024, that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, resolution of these matters is not anticipated to have a material adverse effect on the Company or its estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

For further discussion of certain legal proceedings, see Note 8 – Related Party Transactions and Note 4 - Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the three months ended September 30, 2024, which is incorporated herein by reference, and Note 6 - Commitments and Contingencies of the Notes to the Consolidated Financial Statements included in Part IV, Item 15 on the 2023 Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on April 1, 2024.

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in the 2023 Annual Report on Form 10-K for the year ended December 31, 2023, which Risk Factors are incorporated by reference into this Quarterly Report on Form 10-Q for the three months ended September 30, 2024.

There have been no material changes in the Company's risk factors since the 2023 Annual Report on Form 10-K for the year ended December 31, 2023.

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
31.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive 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)

SPAR Group, Inc. and Subsidiaries

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.

Date: November [ ], 2024	SPAR Group, Inc., Registrant
	By: /s/ Antonio Calisto Pato Antonio Calisto Pato Chief Financial Officer, Treasurer and Secretary

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael R. Matacunas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three-month period ended September 30, 2024 of SPAR 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 14, 2024

/s/ Michael R. Matacunas
Michael R. Matacunas
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Antonio Calisto Pato, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three-month period ended September 30, 2024 of SPAR 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 14, 2024

/s/ Antonio Calisto Pato
Antonio Calisto Pato
Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

Certification of the Chief Executive Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the three-month period ended September 30, 2024 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Michael R. Matacunas
Michael R. Matacunas
President and Chief Executive Officer

November 14, 2024

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of the Chief Financial Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the three-month period ended September 30, 2024 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Antonio Calisto Pato
Antonio Calisto Pato
Chief Financial Officer, Treasurer and
Secretary

November 14, 2024

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.