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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2025

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

Commission File Number 001-34099

MASTECH DIGITAL, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

26-2753540
(I.R.S. Employer
Identification No.)

1305 Cherrington Parkway, Building 210, Suite 400
Moon Township, Pennsylvania
(Address of principal executive offices)

15108
(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share	MHH	NYSE American

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of 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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of October 31, 2025 was 11,697,331.

MASTECH DIGITAL, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2025

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues	\$ 48,496	\$ 51,839	\$ 145,910	\$ 148,196
Cost of revenues	35,035	37,068	105,737	107,314
Gross profit	13,461	14,771	40,173	40,882
Selling, general and administrative expenses	12,641	12,332	41,179	37,156
Income (loss) from operations	820	2,439	(1,006)	3,726
Interest income (expense), net	266	163	571	447
Other income (expense), net	149	(30)	118	(74)
Income (loss) before income taxes	1,235	2,572	(317)	4,099
Income tax expense (benefit)	294	697	46	994
Net income (loss)	<u>\$ 941</u>	<u>\$ 1,875</u>	<u>\$ (363)</u>	<u>\$ 3,105</u>
Earnings (loss) per share:				
Basic	<u>\$.08</u>	<u>\$.16</u>	<u>\$ (.03)</u>	<u>\$.27</u>
Diluted	<u>\$.08</u>	<u>\$.16</u>	<u>\$ (.03)</u>	<u>\$.26</u>
Weighted average common shares outstanding:				
Basic	<u>11,762</u>	<u>11,695</u>	<u>11,761</u>	<u>11,654</u>
Diluted	<u>11,945</u>	<u>12,011</u>	<u>11,761</u>	<u>11,949</u>

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Net income (loss)	\$ 941	\$ 1,875	\$ (363)	\$ 3,105
Other comprehensive income (loss):				
Foreign currency translation adjustments	(418)	(44)	(411)	(71)
Total other comprehensive income (loss), net of taxes	(418)	(44)	(411)	(71)
Total comprehensive income (loss)	<u>\$ 523</u>	<u>\$ 1,831</u>	<u>\$ (774)</u>	<u>\$ 3,034</u>

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

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

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,747	\$ 27,742
Accounts receivable, net of allowance for credit losses of \$275 in 2025 and \$311 in 2024	20,560	23,845
Unbilled receivables	8,303	7,598
Prepaid and other current assets	7,680	7,020
Total current assets	69,290	66,205
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	3,822	3,671
Enterprise software	4,185	4,185
Leasehold improvements	739	742
	8,746	8,598
Less – accumulated depreciation and amortization	(7,006)	(6,600)
Net equipment, enterprise software, and leasehold improvements	1,740	1,998
Operating lease right-of-use assets, net	2,865	3,832
Deferred income taxes	1,464	1,298
Deferred financing costs, net	118	189
Deferred compensation, net	1,125	—
Non-current deposits	446	444
Goodwill, net of impairment	27,210	27,210
Intangible assets, net of amortization	8,359	10,308
Total assets	\$ 112,617	\$ 111,484
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,412	4,683
Accrued payroll and related costs	16,872	13,750
Current portion of operating lease liability	1,287	1,265
Other accrued liabilities	693	550
Deferred revenue	308	329
Total current liabilities	22,572	20,577
Long-term liabilities:		
Long-term operating lease liability, less current portion	1,466	2,486
Long-term severance liability	572	987
Total liabilities	24,610	24,050
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding	—	—
Common Stock, par value \$.01; 100,000,000 shares authorized and 13,595,248 shares issued as of September 30, 2025 and 13,444,712 shares issued as of December 31, 2024	136	135
Additional paid-in-capital	41,215	38,277
Retained earnings	55,454	55,817
Accumulated other comprehensive income (loss)	(2,321)	(1,910)
Treasury stock, at cost; 1,931,964 shares as of September 30, 2025 and 1,723,341 shares as of December 31, 2024	(6,477)	(4,885)
Total shareholders' equity	88,007	87,434
Total liabilities and shareholders' equity	\$ 112,617	\$ 111,484

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

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

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2024	\$ 135	\$ 38,277	\$ 55,817	\$ (4,885)	\$ (1,910)	\$ 87,434
Net (loss)	—	—	(1,439)	—	—	(1,439)
Other comprehensive gain, net of taxes	—	—	—	—	30	30
Stock-based compensation expense	—	895	—	—	—	895
Stock options exercised	—	27	—	—	—	27
Balances, March 31, 2025	<u>\$ 135</u>	<u>\$ 39,199</u>	<u>\$ 54,378</u>	<u>\$ (4,885)</u>	<u>\$ (1,880)</u>	<u>\$ 86,947</u>
Net income	—	—	135	—	—	135
Employee common stock purchases	—	70	—	—	—	70
Other comprehensive (loss), net of taxes	—	—	—	—	(23)	(23)
Stock-based compensation expense	—	714	—	—	—	714
Stock options exercised	—	81	—	—	—	81
Shares repurchased	—	—	—	(114)	—	(114)
Balances, June 30, 2025	<u>\$ 135</u>	<u>\$ 40,064</u>	<u>\$ 54,513</u>	<u>\$ (4,999)</u>	<u>\$ (1,903)</u>	<u>\$ 87,810</u>
Net income	—	—	941	—	—	941
Other comprehensive (loss), net of tax	—	—	—	—	(418)	(418)
Stock-based compensation expense	—	729	—	—	—	729
Stock options exercised	1	422	—	—	—	423
Purchase of treasury stock	—	—	—	(1,478)	—	(1,478)
Balances, September 30, 2025	<u>\$ 136</u>	<u>\$ 41,215</u>	<u>\$ 55,454</u>	<u>\$ (6,477)</u>	<u>\$ (2,321)</u>	<u>\$ 88,007</u>

	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, December 31, 2023	\$ 133	\$ 35,345	\$ 52,415	\$ (4,805)	\$ (1,644)	\$ 81,444
Net (loss)	—	—	(161)	—	—	(161)
Other comprehensive (loss), net of taxes	—	—	—	—	(28)	(28)
Stock-based compensation expense	—	550	—	—	—	550
Shares repurchased	—	—	—	(80)	—	(80)
Balances, March 31, 2024	<u>\$ 133</u>	<u>\$ 35,895</u>	<u>\$ 52,254</u>	<u>\$ (4,885)</u>	<u>\$ (1,672)</u>	<u>\$ 81,725</u>
Net income	—	—	1,391	—	—	1,391
Employee common stock purchases	—	136	—	—	—	136
Other comprehensive gain, net of taxes	—	—	—	—	1	1
Stock-based compensation expense	—	461	—	—	—	461
Stock options exercised	1	321	—	—	—	322
Balances, June 30, 2024	<u>\$ 134</u>	<u>\$ 36,813</u>	<u>\$ 53,645</u>	<u>\$ (4,885)</u>	<u>\$ (1,671)</u>	<u>\$ 84,036</u>
Net income	—	—	1,875	—	—	1,875
Other comprehensive (loss), net of tax	—	—	—	—	(44)	(44)
Stock-based compensation expense	—	542	—	—	—	542
Stock options exercised	—	118	—	—	—	118
Balances, September 30, 2024	<u>\$ 134</u>	<u>\$ 37,473</u>	<u>\$ 55,520</u>	<u>\$ (4,885)</u>	<u>\$ (1,715)</u>	<u>\$ 86,527</u>

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

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

	Nine Months Ended September 30,	
	2025	2024
OPERATING ACTIVITIES:		
Net income (loss)	\$ (363)	\$ 3,105
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	2,521	2,670
Bad debt expense	36	(92)
Interest amortization of deferred financing costs	71	71
Stock-based compensation expense	2,338	1,553
Deferred income taxes, net	(170)	185
Operating lease assets and liabilities, net	31	27
Amortization of deferred compensation	375	—
Long-term severance liability	(415)	—
Payment of deferred compensation	(2,000)	—
Loss on disposition of fixed assets	4	21
Long term accrued income taxes	—	(69)
Working capital items:		
Accounts receivable and unbilled receivables	2,543	(4,147)
Prepaid and other current assets	(276)	(2,399)
Accounts payable	(1,257)	(18)
Accrued payroll and related costs	3,211	2,377
Other accrued liabilities	149	(305)
Deferred revenue	(21)	175
Net cash flows provided by (used in) operating activities	<u>6,777</u>	<u>3,154</u>
INVESTING ACTIVITIES:		
Recovery of (payment for) non-current deposits	(18)	1
Capital expenditures	(351)	(826)
Net cash flows (used in) investing activities	<u>(369)</u>	<u>(825)</u>
FINANCING ACTIVITIES:		
Proceeds from the issuance of common shares	70	136
Purchase of treasury stock	(1,592)	(80)
Proceeds from the exercise of stock options	530	440
Net cash flows provided by (used in) financing activities	<u>(992)</u>	<u>496</u>
Effect of exchange rate changes on cash and cash equivalents	(411)	(87)
Net change in cash and cash equivalents	5,005	2,738
Cash and cash equivalents, beginning of period	27,742	21,147
Cash and cash equivalents, end of period	<u>\$ 32,747</u>	<u>\$ 23,885</u>

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

MASTECH DIGITAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024
(Unaudited)

1. Description of Business and Basis of Presentation:

Basis of Presentation

References in this Quarterly Report on Form 10-Q to “we”, “our”, “Mastech Digital”, “Mastech” or “the Company” refer collectively to Mastech Digital, Inc. and its wholly owned operating subsidiaries, which are included in these Condensed Consolidated Financial Statements (the “Financial Statements”).

Description of Business

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

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

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

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

Accounting Principles

The accompanying Financial Statements have been prepared by management in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and the accompanying notes. Actual results could differ from these estimates. These Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2024, included in our Annual Report on Form 10-K filed with the SEC on March 14, 2025. Additionally, our operating results for the three and nine months ended September 30, 2025, are not necessarily indicative of the results that can be expected for the year ending December 31, 2025 or for any other period.

Principles of Consolidation

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

Critical Accounting Policies

Please refer to Note 1 “Summary of Significant Accounting Policies” of the Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2024, for a more detailed discussion of our significant accounting policies and critical accounting estimates. There were no material changes to these critical accounting policies during the nine months ended September 30, 2025.

Segment Reporting

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

2. Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
Data and Analytics Services Segment				
Time-and-material Contracts	\$ 7,715	\$ 6,123	\$ 21,190	\$ 18,417
Fixed-price Contracts	195	3,275	4,269	7,924
Subtotal Data and Analytics Services	\$ 7,910	\$ 9,398	\$ 25,459	\$ 26,341
IT Staffing Services Segment				
Time-and-material Contracts	\$ 40,586	\$ 42,374	\$ 120,451	\$ 121,788
Fixed-price Contracts	—	67	—	67
Subtotal IT Staffing Services	\$ 40,586	\$ 42,441	\$ 120,451	\$ 121,855
Total Revenues	\$ 48,496	\$ 51,839	\$ 145,910	\$ 148,196

For the three months ended September 30, 2025, the Company had three clients (Fidelity = 18.1%, Populus = 12.7% and CGI = 10.4%) that each exceeded 10% of total revenues. For the nine months ended September 30, 2025, the Company had the same three clients (Fidelity = 15.4%, Populus = 12.3% and CGI = 11.1%) that each exceeded 10% of total revenues. For the three months ended September 30, 2024, the Company had two clients (CGI = 14.0% and Allegis = 11.7%) that each exceeded 10% of total revenues. For the nine months ended September 30, 2024, the Company had the same two clients (CGI = 15.4% and Allegis = 10.6%) that each exceeded 10% of total revenues.

The Company's top ten clients represented approximately 59% and 56% of total revenues for the three months ended September 30, 2025 and 2024, respectively. For the nine months ended September 30, 2025 and 2024, the Company's top ten clients represented approximately 58% and 54% of total revenues, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
United States	\$ 48,078	\$ 51,043	\$ 144,412	\$ 145,674
Canada	112	198	388	800
India and Other	306	598	1,110	1,722
Total revenues	\$ 48,496	\$ 51,839	\$ 145,910	\$ 148,196

3. Goodwill and Other Intangible Assets, net

Goodwill of \$8.4 million related to our IT Staffing Services segment resulted from the 2015 acquisition of Hudson Global Resources Management's U.S. IT staffing business. Goodwill related to our Data and Analytics Services segment includes our 2017 acquisition of the services division of InfoTrellis, which totaled \$27.4 million, and our 2020 acquisition of AmberLeaf, which totaled \$6.4 million. The Company recorded a \$5.3 million goodwill impairment related to the Data and Analytics Services segment in 2023 and a \$9.7 million goodwill impairment in 2018. The impairments were primarily attributable to declines in revenue levels and lower future revenue projections.

A continued decline in our Data and Analytics Services segment may potentially affect the implied fair value of Goodwill. Should this type of trend persist, there is the risk that a goodwill impairment charge may be required in a future reporting period.

A reconciliation of the beginning and ending amounts of goodwill by operating segment for the periods ended September 30, 2025 and December 31, 2024 is as follows:

	Nine Months Ended September 30, 2025	Twelve Months Ended December 31, 2024
(in thousands)		
IT Staffing Services:		
Beginning balance	\$ 8,427	\$ 8,427
Goodwill recorded	—	—
Impairment	—	—
Ending Balance	<u>\$ 8,427</u>	<u>\$ 8,427</u>
Data and Analytics Services:		
Beginning balance	\$ 18,783	\$ 18,783
Goodwill recorded	—	—
Impairment	—	—
Ending Balance	<u>\$ 18,783</u>	<u>\$ 18,783</u>

The Company is amortizing the identifiable intangible assets on a straight-line basis over estimated average lives ranging from 3 to 12 years. Identifiable intangible assets were comprised of the following as of September 30, 2025 and December 31, 2024:

(Amounts in thousands)	As of September 30, 2025			
	Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	\$ 7,999	\$ 6,861	\$ 1,138
Covenant-not-to-compete	5	319	319	—
Trade name	3	249	249	—
Data and Analytics Services:				
Client relationships	12	19,641	12,639	7,002
Covenant-not-to-compete	5	1,201	1,201	—
Trade name	5	1,711	1,711	—
Technology	7	1,979	1,760	219
Total Intangible Assets		<u>\$ 33,099</u>	<u>\$ 24,740</u>	<u>\$ 8,359</u>

(Amounts in thousands)	As of December 31, 2024			
	Amortization Period (In Years)	Gross Carrying Value	Accumulative Amortization	Net Carrying Value
IT Staffing Services:				
Client relationships	12	\$ 7,999	\$ 6,361	\$ 1,638
Covenant-not-to-compete	5	319	319	0
Trade name	3	249	249	0
Data and Analytics Services:				
Client relationships	12	19,641	11,413	8,228
Covenant-not-to-compete	5	1,201	1,135	66
Trade name	5	1,711	1,637	74
Technology	7	1,979	1,677	302
Total Intangible Assets		<u>\$ 33,099</u>	<u>\$ 22,791</u>	<u>\$ 10,308</u>

Amortization expense for the three and nine-month periods ended September 30, 2025 totaled \$650,000 and \$1.9 million, respectively and is included in selling, general and administrative expenses in the Consolidated Statement of Operations. For the three and nine-month periods ended September 30, 2024, amortization expense was \$657,000 and \$2.0 million, respectively.

The estimated aggregate amortization expense for intangible assets for the years ending December 31, 2025 through 2029 is as follows:

	Years Ended December 31,				
	2025	2026	2027	2028	2029
	(Amounts in thousands)				
Amortization expense	\$ 2,553	\$ 2,413	\$ 2,025	\$ 1,637	\$ 1,000

4. Leases

The Company rents certain office facilities and equipment under noncancelable operating leases. As of September 30, 2025, approximately 94,000 square feet of office space is utilized for our sales and recruiting offices, delivery centers, and corporate headquarters. All of our leases are classified as operating leases. The average initial lease term is 3.9 years. Several leases have an option to renew, at our sole discretion, for an additional term. Our present lease terms range from less than one year to 4.0 years with a weighted average of 2.5 years. Leases with an initial term of twelve months or less are not recorded on the balance sheet.

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

	September 30, 2025	December 31, 2024
	(in thousands)	
Assets:		
Long-term operating lease right-of-use assets	\$ 2,865	\$ 3,832
Liabilities:		
Short-term operating lease liability	\$ 1,287	\$ 1,265
Long-term operating lease liability	1,466	2,486
Total Liabilities	\$ 2,753	\$ 3,751

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

	Amount as of September 30, 2025 (in thousands)
2025 (for remainder of year)	\$ 353
2026	1,401
2027	757
2028	259
2029	196
Thereafter	—
Total	\$ 2,966
Less: Imputed interest	(213)
Present value of operating lease liabilities	\$ 2,753

The weighted average discount rate used to calculate the present value of future lease payments was 5.7%.

We recognize rent expense for these leases on a straight-line basis over the lease term. Rental expense for the three and nine months ended September 30, 2025 totaled \$0.4 million and \$1.2 million, respectively. Rental expense for the three and nine months ended September 30, 2024 totaled \$0.4 million and \$1.1 million, respectively.

Total cash paid for lease liabilities for the three and nine months ended September 30, 2025 totaled \$0.4 million and \$1.1 million, respectively. Total cash paid for lease liabilities for the three and nine months ended September 30, 2024 totaled \$0.4 million and \$1.1 million, respectively.

There were no new leases entered into during the three and nine months ended September 30, 2025 and 2024. New leases are considered non-cash transactions.

5. Commitments and Contingencies

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

6. Employee Benefit Plan

The Company provides an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), that covers substantially all U.S. based salaried and W-2 hourly employees. Employees may contribute a percentage of eligible compensation to the Retirement Plan, subject to certain limits under the Code. The Company did not provide for any matching contributions for the three and nine months ended September 30, 2025 and 2024.

7. Stock-Based Compensation

In 2008, the Company adopted a Stock Incentive Plan. This stock incentive plan was amended and restated effective as of May 14, 2024 and further amended on May 14, 2025 (as amended from time to time, the "Plan"). The Plan provides that up to 6,200,000 shares of the Company's common stock, par value \$0.01 per share ("Common Stock") shall be allocated for issuance to directors, officers, employees and consultants of the Company. Grants under the Plan may be made in the form of stock options, stock appreciation rights, performance share awards, restricted stock awards or stock awards.

On December 10, 2024, the Board approved and adopted the 2024 Inducement Stock Incentive Plan and reserved 1,500,000 shares of Common Stock for issuance of awards under the 2024 Inducement Stock Incentive Plan. The 2024 Inducement Stock Incentive Plan was approved and adopted without shareholder approval pursuant to NYSE American Guide Rule 711 and provided for grants of non-qualified stock options, restricted stock awards, stock awards, performance share awards and other stock-based awards (each, an "Inducement Award"). Effective May 14, 2025, the 2024 Inducement Stock Incentive Plan was terminated, which means that no further grants can be made under the 2024 Inducement Stock Incentive Plan but existing outstanding awards granted pursuant to this plan continue to be governed by the plan's terms. The 2024 Inducement Stock Incentive Plan was established exclusively to grant equity awards to individuals who were not previously employees or directors of the Company, as an inducement to join the Company.

During the three months ended September 30, 2025, the Company granted zero restricted share units and 92,000 stock options at an average strike price of \$7.28 under the Plan. During the three months ended September 30, 2024, the Company granted 10,518 restricted share units and no stock options under the Plan.

During the nine months ended September 30, 2025, the Company granted 22,140 restricted share units and 327,000 stock options at an average strike price of \$7.45 under the Plan and 702,358 stock options at a strike price of \$15.41 under the 2024 Inducement Stock Incentive Plan. During the nine months ended September 30, 2024, the Company granted 40,130 restricted share units and 525,000 stock options at an average strike price of \$8.41 under the Plan. As of September 30, 2025 there were 975,000 shares of Common Stock available for grants under the Plan.

Stock-based compensation expense for the three months ended September 30, 2025 and 2024 was \$729,000 and \$542,000, respectively, and for the nine months ended September 30, 2025 and 2024 was \$2.3 million and \$1.6 million, respectively. Stock-based compensation expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

During the three and nine months ended September 30, 2025, the Company issued 82,520 and 122,451 shares, respectively, related to the grant of restricted share units and the exercise of stock options. During the three and nine months ended September 30, 2024, the Company issued 17,281 and 87,924 shares, respectively, related to the grant of restricted share units and the exercise of stock options.

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

share of Common Stock on the first day of the offering period, or (ii) the fair market value per share of Common Stock on the last day of the offering period.

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

During the three months ended September 30, 2025 and 2024, there were no shares issued under the Employee Stock Purchase Plan. During the nine months ended September 30, 2025 and 2024, there were 11,483 shares and 21,329 shares issued under the Employee Stock Purchase Plan at a share price of \$6.09 and \$6.38, respectively. Stock-based compensation expense related to the Stock Purchase Plan for the three months ended September 30, 2025 and 2024 totaled \$8,000 and \$11,000, respectively. Stock-based compensation expense related to the Stock Purchase Plan for the nine months ended September 30, 2025 and 2024 totaled \$50,000 and \$65,000, respectively, and is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2025 and 2024. As of September 30, 2025, there were 420,576 shares available for purchases under the Employee Stock Purchase Plan.

8. Credit Facility

On July 13, 2017, the Company entered into a Credit Agreement (the "Credit Agreement") with PNC Bank, as administrative agent, swing loan lender and issuing lender, PNC Capital Markets LLC, as sole lead arranger and sole book-runner, and certain financial institution parties thereto as lenders (the "Lenders"). The Credit Agreement, as amended, provides for a total aggregate commitment of \$53.1 million, consisting of (i) a revolving credit facility (the "Revolver") in an aggregate principal amount not to exceed \$40 million and (ii) a \$13.1 million term loan facility (the "Term Loan"), as more fully described in Exhibit 10.1 to the Company's Form 8-Ks filed with the SEC on July 19, 2017, April 25, 2018, October 7, 2020, Exhibit 10.2 to the Form 8-K/A filed with the SEC on January 4, 2022 and Exhibits 10.11 and 10.12 to the Company's Form 10-K filed with the SEC on March 15, 2024. Additionally, the facility includes an accordion feature for additional borrowing of up to \$20 million upon satisfaction of certain conditions.

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

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

Borrowings under the Revolver and the Term Loan, which may be made at the Company's election, bear interest at either (a) the higher of PNC's prime rate or the federal funds rate plus 0.50%, plus an applicable margin determined based upon the Company's senior leverage ratio or (b) the Secured Overnight Financing Rate ("SOFR"), plus an applicable margin determined based upon the Company's senior leverage ratio. The applicable margin on the base rate is between 0.50% and 1.25% on Revolver borrowings and between 1.75% and 2.50% on Term Loan borrowings. The applicable margin on the SOFR is between 1.50% and 2.25% on Revolver borrowings and between 2.75% and 3.50% on Term Loan borrowings. A 20 to 30-basis point per annum commitment fee on the unused portion of the Revolver is charged and due monthly in arrears. The applicable commitment fee is determined based upon the Company's senior leverage ratio.

The Company pledged substantially all of its assets in support of the Credit Agreement. The Credit Agreement contains standard financial covenants, including, but not limited to, covenants related to the Company's senior leverage ratio and fixed charge ratio (as defined under the Credit Agreement) and limitations on liens, indebtedness, guarantees, contingent liabilities, loans and investments,

distributions, leases, asset sales, stock repurchases and mergers and acquisitions. As of September 30, 2025, the Company was in compliance with all applicable provisions of the Credit Agreement.

In connection with securing the commitments under the Credit Agreement and the April 20, 2018, October 1, 2020, December 29, 2021 and December 29, 2023 amendments to the Credit Agreement, the Company paid a commitment fee and incurred deferred financing costs totaling \$1,039,000, which were capitalized and are being amortized as interest expense over the life of the Credit Facility. Deferred financing costs of \$118,000 and \$189,000 (net of amortization) as of September 30, 2025, and December 31, 2024, respectively, are presented as long-term assets in the Company's Consolidated Balance Sheets.

As of September 30, 2025, and December 31, 2024, the Company's outstanding borrowings under the Revolver totaled zero dollars; and unused borrowing capacity available was approximately \$20.8 million and \$22.5 million, respectively. There were no outstanding borrowings under the Term Loan at September 30, 2025, and December 31, 2024. On May 9, 2024, the Company issued two standby Letters of Credit for \$162,000 each from PNC Bank to a Vietnam client to secure certain performance and advance payment guarantees made to the client on an existing fixed price Data and Analytics Services assignment. The letters of credit are scheduled to expire on March 21, 2026.

9. Income Taxes

The components of income (loss) before income taxes, as shown in the accompanying Financial Statements, consisted of the following for the three and nine months ended September 30, 2025 and 2024:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
Income (loss) before income taxes:				
Domestic	\$ 791	\$ 1,748	\$ (2,213)	\$ 2,047
Foreign	444	824	1,896	2,052
Income (loss) before income taxes	<u>\$ 1,235</u>	<u>\$ 2,572</u>	<u>\$ (317)</u>	<u>\$ 4,099</u>

The Company has foreign subsidiaries which generate revenues from non-U.S.-based clients. Additionally, these subsidiaries provide services to the Company's U.S. operations.

The provision (benefit) for income taxes, as shown in the accompanying Financial Statements, consisted of the following for the three and nine months ended September 30, 2025 and 2024:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
Current provision (benefit):				
Federal	\$ (179)	\$ 351	\$ (442)	\$ 227
State	13	77	(35)	64
Foreign	250	216	689	517
Total current provision (benefit)	<u>84</u>	<u>644</u>	<u>212</u>	<u>808</u>
Deferred provision (benefit):				
Federal	245	44	(116)	140
State	49	8	(18)	27
Foreign	(90)	1	(32)	19
Total deferred provision (benefit)	<u>204</u>	<u>53</u>	<u>(166)</u>	<u>186</u>
Change in valuation allowance	6	-	-	-
Total provision (benefit) for income taxes	<u>\$ 294</u>	<u>\$ 697</u>	<u>\$ 46</u>	<u>\$ 994</u>

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision (benefit) for income taxes for the three and nine months ended September 30, 2025 and 2024 were as follows (amounts in thousands):

	Three Months Ended September 30, 2025		Three Months Ended September 30, 2024	
Income taxes computed at the federal statutory rate	\$ 259	21.0%	\$ 540	21.0%
State income taxes, net of federal tax benefit	64	5.2	120	4.6
Excess tax expense (benefit) from stock options/restricted shares	163	13.2	25	1.0
Worthless stock deduction	—	—	—	—
Difference in income tax rate on foreign earnings/other	(198)	(16.1)	12	0.5
Change in valuation allowance	6	0.5	—	—
	<u>\$ 294</u>	<u>23.8%</u>	<u>\$ 697</u>	<u>27.1%</u>

	Nine Months Ended September 30, 2025		Nine Months Ended September 30, 2024	
Income taxes computed at the federal statutory rate	\$ (67)	(21.0)%	\$ 861	21.0%
State income taxes, net of federal tax benefit	(51)	(16.1)	101	2.5
Excess tax expense (benefit) from stock options/restricted shares	155	48.9	156	3.8
Worthless stock deduction	—	—	(248)	(6.1)
Difference in income tax rate on foreign earnings/other	9	2.7	124	3.0
Change in valuation allowance	—	—	—	—
	<u>\$ 46</u>	<u>14.5%</u>	<u>\$ 994</u>	<u>24.2%</u>

We evaluate deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. GAAP accounting guidance requires us to assess whether valuation allowances should be established against deferred tax assets based on all available evidence, both positive and negative using a “more likely than not” standard. Our assessment considers, among other things, the nature of cumulative losses; forecast of future profitability; the duration of statutory carry-forward periods and tax planning alternatives. Our valuation allowance was comprised of net operating losses in Ireland and the United Kingdom and totaled \$452,000 at both September 30, 2025, and December 31, 2024.

10. Shareholders' Equity

On February 8, 2023, the Company announced that the Board of Directors authorized a share repurchase program of up to 500,000 shares of the Company's common stock over a two-year period. Repurchases under the program may occur from time to time in the open market, through privately negotiated transactions, through block purchases or other purchase techniques (including Rule 10b5-1 programs), or by any combination of such methods, and the program may be modified, suspended or terminated at any time at the discretion of the Board of Directors. On February 19, 2025, the Company announced that the Board of Directors had authorized an extension of its previously announced share repurchase program for an additional year through February 8, 2026.

During the three and nine months ended September 30, 2025, the Company repurchased 192,112 and 208,623 shares of common stock at an average price of \$7.68 and \$7.62 per share, respectively under this program, including 138,500 shares of common stock through a block purchase at an average price of \$7.64 per share. During the three months ended September 30, 2024, the Company did not purchase any shares under this program. During the nine months ended September 30, 2024, the Company repurchased 9,222 shares of common stock at an average price of \$8.70 per share under this program. Common shares available for share repurchase under this program totaled 214,456 shares on September 30, 2025.

Additionally, the Company makes stock purchases from time to time to satisfy employee tax obligations related to its Stock Incentive Plan. The Company did not purchase any shares to satisfy employee tax obligations during the three and nine months ended September 30, 2025 and 2024.

11. Earnings (Loss) Per Share

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

For the three months ended September 30, 2025, there were 2,330,000 anti-dilutive stock options excluded from the computation of diluted earnings per share. For the nine months ended September 30, 2025, all stock options and restricted shares were anti-dilutive and excluded from the computation of diluted (loss) per share. For the three and nine months ended September 30, 2024, there were 1,005,000 and 1,057,000 anti-dilutive stock options excluded from the computation of diluted earnings per share, respectively.

12. Business Segments and Geographic Information

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
Revenues:				
Data and Analytics Services	\$ 7,910	\$ 9,398	\$ 25,459	\$ 26,341
IT Staffing Services	40,586	42,441	120,451	121,855
Total revenues	<u>\$ 48,496</u>	<u>\$ 51,839</u>	<u>\$ 145,910</u>	<u>\$ 148,196</u>
Cost of Revenues:				
Data and Analytics Services	\$ 4,268	\$ 4,635	\$ 13,987	\$ 13,464
IT Staffing Services	30,513	32,433	91,496	93,850
Total cost of revenues ¹	<u>\$ 34,781</u>	<u>\$ 37,068</u>	<u>\$ 105,483</u>	<u>\$ 107,314</u>
Gross Profit:				
Data and Analytics Services	\$ 3,642	\$ 4,763	\$ 11,472	\$ 12,877
IT Staffing Services	10,073	10,008	28,955	28,005
Total gross profit ¹	<u>\$ 13,715</u>	<u>\$ 14,771</u>	<u>\$ 40,427</u>	<u>\$ 40,882</u>
Gross Margin %:				
Data and Analytics Services	46.0%	50.7%	45.1%	48.9%
IT Staffing Services	24.8%	23.6%	24.0%	23.0%
Total gross margin % ¹	<u>28.3%</u>	<u>28.5%</u>	<u>27.7%</u>	<u>27.6%</u>
Sales & Marketing Expenses:				
Data and Analytics Services	\$ 1,213	\$ 1,722	\$ 5,052	\$ 6,001
IT Staffing Services	1,505	2,275	6,191	6,672
Total sales & marketing expenses	<u>\$ 2,718</u>	<u>\$ 3,997</u>	<u>\$ 11,243</u>	<u>\$ 12,673</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
Operations Expenses:				
Data and Analytics Services	\$ 115	\$ 167	\$ 461	\$ 510
IT Staffing Services	1,817	2,275	5,715	6,345
Total operations expenses	<u>\$ 1,932</u>	<u>\$ 2,442</u>	<u>\$ 6,176</u>	<u>\$ 6,855</u>
General & Administrative Expenses:				
Data and Analytics Services	\$ 2,000	\$ 1,729	\$ 5,927	\$ 4,931
IT Staffing Services	3,574	3,507	11,788	10,654
Total general & administrative expenses	<u>\$ 5,574</u>	<u>\$ 5,236</u>	<u>\$ 17,715</u>	<u>\$ 15,585</u>
Segment operating income (loss):				
Data and Analytics Services	\$ 313	\$ 1,145	\$ 31	\$ 1,435
IT Staffing Services	3,178	1,951	5,262	4,334
Subtotal	<u>3,491</u>	<u>3,096</u>	<u>5,293</u>	<u>5,769</u>
Unallocated Cost:				
Amortization of acquired intangible assets	\$ (650)	\$ (657)	\$ (1,949)	\$ (2,043)
Finance and accounting transition expense	(937)	—	(1,625)	—
Severance expense ¹	(1,084)	—	(2,725)	—
Interest income (expense), FX, gains (losses) and other, net	415	133	689	373
Income (loss) before income taxes	<u>\$ 1,235</u>	<u>\$ 2,572</u>	<u>\$ (317)</u>	<u>\$ 4,099</u>

(1) Gross margin differences between the supplemental segment and consolidated results primarily reflect non-allocated severance expense of \$0.3 million recorded in cost of goods sold during the third quarter of 2025.

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

	September 30,	December 31,
	2025	2024
	(Amounts in thousands)	
Total assets:		
Data and Analytics Services	\$ 40,674	\$ 44,053
IT Staffing Services	71,943	67,431
Total assets	<u>\$ 112,617</u>	<u>\$ 111,484</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(Amounts in thousands)			
United States	\$ 48,078	\$ 51,043	\$ 144,412	\$ 145,674
Canada	112	198	388	800
India and Other	306	598	1,110	1,722
Total revenues	<u>\$ 48,496</u>	<u>\$ 51,839</u>	<u>\$ 145,910</u>	<u>\$ 148,196</u>

13. Recently Issued Accounting Standards

Recent Accounting Pronouncements not yet adopted

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The amendments in this ASU are intended to enhance the transparency and usefulness of income tax disclosures and provide for specific rate reconciliation categories; additional disclosure for reconciling items that meet a quantitative threshold; and disclosure of federal, state and foreign income taxes paid by individual jurisdiction. The amendments in

this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company does not expect this ASU to have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”. The amendments in this ASU require more detailed disclosures about an entity’s business expenses. Additional interim and annual reporting disclosures in the notes to financial statements include the amounts of inventory purchases, employee compensation, depreciation, amortization of intangible assets and a qualitative description of amounts that are not separately disclosed. The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company does not expect this ASU to have a material impact on its financial statements.

In July 2025, the FASB issued ASU 2025-05, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets.” The amendments in this ASU introduce a practical expedient for all entities and provide entities other than public business entities with an accounting policy election when applying Topic 326 to current accounts receivable and contract assets arising from transactions under Topic 606, Revenue from Contracts with Customers. The practical expedient is intended to simplify the estimation of expected credit losses for short-term trade receivables and contract assets when such losses are expected to be immaterial. The amendments are effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU but does not expect it to have a material effect on its consolidated financial statements.

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

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

You should read the following discussion in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2024, included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on March 14, 2025.

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about future events, future performance, plans, strategies, expectations, prospects, competitive environment and regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words, “may”, “will”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “intend” or the negative of these terms or similar expressions in this quarterly report on Form 10-Q. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under “Risk Factors”, “Forward-Looking Statements” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2024. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update forward-looking statements and the estimates and assumptions associated with them, after the date of this quarterly report on Form 10-Q, except to the extent required by applicable securities laws.

Website Access to SEC Reports:

The Company’s website is www.mastechdigital.com. The Company’s Annual Report on Form 10-K for the year ended December 31, 2024, current reports on Form 8-K and all other reports filed with the SEC, are available free of charge on the Investors page. The website is updated as soon as reasonably practical after such reports are filed electronically with the SEC.

Critical Accounting Policies

Please refer to Note 1 “Summary of Significant Accounting Policies” of the Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2024 for a more detailed discussion of our significant accounting policies and critical accounting estimates. There were no material changes to these critical accounting policies during the nine months ended September 30, 2025.

2024 Primentor, Inc. Consulting Agreement

On January 12, 2024, we entered into a consulting services agreement with Primentor, Inc. (“Primentor”) to provide the Company with strategic advisory and management consulting services, as well as any other business and organizational strategy services as the Board of Directors of the Company may reasonably request from time to time. The initial term of the consulting services agreement is for a three-year period that commenced on January 12, 2024, and the Company may request to renew the term for additional successive one-year terms, in which case Primentor and the Company will negotiate to agree upon the scope of the additional services and the amount of additional consulting fees. During 2024, the Company incurred consulting expenses of approximately \$1.1 million related to these services. In 2025 and 2026, the Company expects to pay Primentor approximately \$270,000 and \$120,000, respectively, plus reimbursement of any reasonable and documented out-of-pocket expenses incurred by Primentor in rendering such services.

Transition of the Company’s finance and accounting functions to India:

During the first quarter of 2025, the Company’s Board of Directors made the decision to implement a long-term cost-cutting initiative to transition the Company’s finance and accounting functions to India. During 2025, the Company expects to incur additional costs related to the duplication of resources and travel expenses during the training and knowledge transfer process. As of September 30, 2025, the Company has incurred approximately \$500,000 of additional costs and estimates total expenses to range from \$500,000 to \$750,000 for the transition period.

Additionally, the Company expects to pay approximately \$1.3 million of severance expense related to this initiative. As of September 30, 2025, the Company has incurred approximately \$1.1 million in severance. Post-transition cost savings are expected to approximate \$1.2 million per annum.

Structural Optimization Costs

During the third quarter of 2025, the Company recorded \$1.1 million of severance charges associated with strategic initiatives undertaken to better align our organizational structure with our long-term growth objectives. These initiatives were designed to streamline leadership responsibilities, enhance operational efficiency, and position the Company for improved scalability across our business segments.

Overview:

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

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

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

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

Data and Analytics:

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

Economic Trends and Outlook:

Generally, our business outlook is highly correlated to general North American economic conditions, particularly with respect to our IT Staffing Services segment. During periods of increasing employment and economic expansion, demand for our services tends to increase. Conversely, during periods of contracting employment and / or a slowing global economy, demand for our services tends to decline. With economic expansion in 2010 through 2019 activity levels improved. However, as economic conditions strengthened, we experienced increased tightness in the supply side (skilled IT professionals) of our businesses. These supply-side challenges pressured resource costs and, to some extent, gross margins. As we entered 2020, we were encouraged by continued growth in the domestic job markets and expanding U.S. and global economies. However, with the COVID-19 pandemic surfacing in the first quarter of 2020, we realized that economic growth would quickly turn into recessionary conditions, which had a material impact on activity levels in both of our business segments. In 2021, we were encouraged by the global rollout of vaccination programs and signs of economic improvement, however, the proliferation of COVID-19 variants had caused some uncertainty and disruption in the global markets. In 2022 and 2023, COVID-19-related concerns seemed to subside; however, increased inflation, challenges in the financial sector related to increasing interest rates, and concerns about a possible recession created much uncertainty and impacted demand for our services in the second half of 2022 and for the entire year of 2023. In 2024, economic conditions in North American improved over the course of the year as job growth and inflationary outlooks showed positive signs of improvement. However, as we move towards the end of 2025, uncertainty and caution continues to persist in the marketplace, driven in part by lingering questions around

the direction and implementation of immigration, trade and other policies under the new administration (including the implementation of tariffs and other trade measures). These evolving dynamics have contributed to extended decision-making cycles and conservative spending behavior among clients. Given these and other factors, it remains difficult to reliably forecast how market conditions will develop for the remainder of 2025 or during 2026 and beyond.

In addition to tracking general economic conditions in the markets that we service, a large portion of our revenues is generated from a limited number of clients (see Item 1A, the Risk Factor entitled “Our revenues are highly concentrated, and the loss of a significant client would adversely affect our business and revenues” in our Annual Report on Form 10-K for the year ended December 31, 2024). Accordingly, our trends and outlook are additionally impacted by the prospects and well-being of these specific clients. This “account concentration” factor may result in our results of operations deviating from the prevailing economic trends from time to time.

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

Results of Operations for the Three Months Ended September 30, 2025 as Compared to the Three Months Ended September 30, 2024:

Revenues:

Revenues for the three months ended September 30, 2025 totaled \$48.5 million, compared to \$51.8 million for the corresponding three-month period in 2024. This 6% year-over-year revenue decrease reflected a 4% revenue decrease in our IT Staffing Services segment and a 16% decline in our Data and Analytics Services segment. For the three months ended September 30, 2025, the Company had three clients that each had revenues in excess of 10% of total revenues (Fidelity 18.1%, Populus = 12.7% and CGI = 10.4%). For the three months ended September 30, 2024, the Company had two clients that each had revenues in excess of 10% of total revenues (CGI = 14.0% and Allegis = 11.7%). The Company’s top ten clients represented approximately 59% and 56% of total revenues for the three months ended September 30, 2025 and 2024, respectively.

Below is a tabular presentation of revenues by reportable segment for the three months ended September 30, 2025 and 2024, respectively:

Revenues (Amounts in millions)	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024
Data and Analytics Services	\$ 7.9	\$ 9.4
IT Staffing Services	40.6	42.4
Total revenues	<u>\$ 48.5</u>	<u>\$ 51.8</u>

Revenues from our Data and Analytics Services segment totaled \$7.9 million in the three months ended September 30, 2025, which is lower compared to \$9.4 million in the corresponding period last year. The year-over-year decrease in revenues primarily reflects softer demand and slower client decision making cycles for new projects in 2025. New bookings in the third quarter of 2025 totaled approximately \$6.1 million, compared to bookings of \$11.1 million in the third quarter of 2024, as we saw clients maintaining a cautious approach to discretionary spending amid macroeconomic uncertainty.

Revenues from our IT Staffing Services segment totaled \$40.6 million in the three months ended September 30, 2025, compared to \$42.4 million during the corresponding 2024 period. The year-over-year decline in revenue primarily reflects lower demand for our services in 2025. Billable consultants at September 30, 2025 totaled 947-consultants compared to 1,071-consultants one year earlier. Our average bill rate during the third quarter of 2025 was \$86.60 per hour compared to \$82.80 per hour in the corresponding 2024 quarter. The increase in average bill rate was due to higher quality of revenues in the new assignments during the third quarter of 2025 and was reflective of the types of skill sets that we deployed to clients. Permanent placement / fee revenues were approximately \$0.3 million during both the third quarter of 2025 and the comparable 2024 quarter.

Gross Margins:

Gross profits in the third quarter of 2025 totaled \$13.5 million, which was \$1.3 million lower than the third quarter of 2024 gross profits. Excluding the \$0.3 million of severance expense, gross profit as a percentage of revenue was 28.3% for the three-month period ended September 30, 2025, compared to 28.5% during the same period of 2024. This 20-basis point reduction in gross margins reflected higher margins in our IT Staffing Services business segment, offset by lower margins from our Data and Analytics Services

segment during the current quarter. Including the \$0.3 million of severance expense, gross margin was 27.8% for the three-month period ended September 30, 2025.

Below is a tabular presentation of gross margin by reporting segment for the three months ended September 30, 2025 and 2024, respectively:

Gross Margin	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024
Data and Analytics Services	46.0%	50.7%
IT Staffing Services	24.8	23.6
Total gross margin	28.3%	28.5%

Gross margins from our Data and Analytics Services segment, excluding severance expense of \$0.3 million were 46.0% of revenues during the third quarter of 2025, which represented a decrease of 470-basis points compared to 50.7% of revenues during the third quarter of 2024. The margin reduction was primarily the result of a lower utilization rate in the 2025 quarter compared to the third quarter of 2024. Including the \$0.3 million of severance expense, gross margin was 42.8% for the Data and Analytics Services segment for the three-month period ended September 30, 2025.

Gross margins from our IT Staffing Services segment were 24.8% in the third quarter of 2025 compared to 23.6% during the corresponding quarter of 2024. This 120-basis point increase was due to higher quality placements and better pricing on new assignments in 2025.

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

Below is a tabular presentation of operating expenses by expense category for the three months ended September 30, 2025 and 2024, respectively:

SG&A Expenses (Amounts in millions)	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024
Data and Analytics Services Segment		
Sales and Marketing	\$ 1.2	\$ 1.7
Operations	0.1	0.2
General & Administrative	2.0	1.7
Subtotal Data and Analytics Services	\$ 3.3	\$ 3.6
IT Staffing Services Segment		
Sales and Marketing	\$ 1.5	\$ 2.3
Operations	1.8	2.2
General & Administrative	3.6	3.6
Subtotal IT Staffing Services	\$ 6.9	\$ 8.1
Amortization of Acquired Intangible Assets	\$ 0.7	\$ 0.6
Severance Expense	0.8	—
Finance and Accounting Transition Expense	0.9	—
Total SG&A Expenses	\$ 12.6	\$ 12.3

SG&A expenses for the three months ended September 30, 2025, totaled \$12.6 million or 26.1% of total revenues, compared to \$12.3 million or 23.8% of total revenues for the three months ended September 30, 2024. Excluding the severance expense and finance and accounting transition expense in the 2025 period and the amortization of acquired intangible assets in both periods, SG&A expense as a percentage of total revenues would have been 20.5% and 22.5%, respectively.

Fluctuations within SG&A expense components during the third quarter of 2025, compared to the third quarter of 2024, included the following:

- Sales expense was \$1.3 million lower in the 2025 period compared to the corresponding 2024 period. Sales expense in our Data and Analytics Services segment decreased by \$0.5 million, which decrease was driven primarily by lower payroll and

related costs. Sales expense in our IT Staffing Services segment decreased by \$0.8 million, resulting from lower payroll and related costs, as well as reduced marketing spend.

- Operations expenses decreased by \$0.5 million in the 2025 period compared to the corresponding 2024 period. Operations expense decreased by \$0.1 million in our Data and Analytics Services segment and by \$0.4 million in our IT Staffing Services segment due to staff reductions.
- General and administrative expenses increased by \$0.3 million in the 2025 period compared to the corresponding 2024 period. General and administrative expenses in our Data and Analytics Services segment increased by \$0.3 million primarily due to executive leadership hires and higher stock-based compensation expense in the 2025 period. In our IT Staffing Services segment, general and administrative expenses remained flat.
- Amortization of acquired intangible assets was \$0.7 million in the 2025 period, compared to \$0.6 million in the corresponding 2024 period.
- Severance expense included in SG&A was \$0.8 million in the 2025 period, compared to no expense in the third quarter of 2024. The expense related to a strategic initiative undertaken to better align the organizational structure with the Company's long-term growth objectives.
- Finance and accounting transition expense was \$0.9 million in the 2025 period, compared to no expense in the third quarter of 2024. The expense relates to the Company's decision to transition the Company's finance and accounting functions to India and includes severance and additional costs related to the duplication of resources and travel expenses during the training and knowledge transfer process.

Other Income / (Expense) Components:

Other Income / (Expense) for the three months ended September 30, 2025, consisted of interest income of \$266,000 and foreign exchange gains of \$149,000. For the three months ended September 30, 2024, Other Income / (Expense) consisted of interest income of \$163,000 and foreign exchange losses of (\$30,000). The higher level of interest income was reflective of higher cash balances in the 2025 period.

Income Tax Expense:

Income tax expense for the three months ended September 30, 2025, totaled \$294,000, representing an effective tax rate on pre-tax income of 23.8%, compared to \$697,000 expense for the three months ended September 30, 2024, which represented an effective tax rate on pre-tax income of 27.1%. The main driver for the lower tax rate in the 2025 period is the shortfall in the expected benefit from stock options, offset by state and foreign tax impacts.

Results of Operations for the Nine Months Ended September 30, 2025 as Compared to the Nine Months Ended September 30, 2024:

Revenues:

Revenues for the nine months ended September 30, 2025, totaled \$145.9 million, compared to \$148.2 million for the corresponding nine-month period in 2024. This 2% year-over-year revenue decrease reflected a 3% decrease in our Data and Analytics Services segment and a 1% decrease in our IT Staffing Services segment. For the nine months ended September 30, 2025, the Company had three clients that each had revenues in excess of 10% of total revenues (Fidelity = 15.4%, Populus = 12.3% and CGI = 11.1%). For the nine months ended September 30, 2024, the Company had two clients that each had revenues in excess of 10% of total revenues (CGI = 15.4% and Allegis = 10.6%). The Company's top ten clients represented approximately 58% and 54% of total revenues for the nine months ended September 30, 2025 and 2024, respectively.

Below is a tabular presentation of revenues by reportable segment for the nine months ended September 30, 2025 and 2024, respectively:

Revenues (Amounts in millions)	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Data and Analytics Services	\$ 25.4	\$ 26.3
IT Staffing Services	120.5	121.9
Total revenues	\$ 145.9	\$ 148.2

Revenues from our Data and Analytics Services segment totaled \$25.4 million during the nine months ended September 30, 2025, compared to \$26.3 million in the corresponding nine-month period last year. The 3% year-over-year decrease was primarily

driven by continued softness in client demand and slower decision-making cycles for new projects, compared to the corresponding 2024 period. Order bookings for the first nine months of 2025 totaled approximately \$23.5 million, compared to bookings of \$30.0 million for the first nine months of 2024.

Revenues from our IT Staffing Services segment totaled \$120.5 million in the nine months ended September 30, 2025, compared to \$121.9 million during the corresponding 2024 period. This 1% decrease largely reflected a lower level of billable consultants, partially offset by an increase in average bill rate due to higher quality of placements in the 2025 period. At September 30, 2025 billable consultants totaled 947-consultants compared to 1,071-consultants at September 30, 2024.

Gross Margins:

Gross profits in the nine months ended September 30, 2025 totaled \$40.2 million compared to \$40.9 million in the corresponding period last year. Excluding the \$0.3 million of severance expense, gross profit as a percentage of revenue was 27.7% for the nine-month period ended September 30, 2025, compared to 27.6% during the same period of 2024. This 10-basis point increase largely reflected improvements in our IT Staffing Services segment, offset by lower margins in our Data and Analytics Services segment.

Below is a tabular presentation of gross margin by reporting segment for the nine months ended September 30, 2025 and 2024, respectively:

Gross Margin	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Data and Analytics Services	45.1%	48.9%
IT Staffing Services	24.0	23.0
Total gross margin	27.7%	27.6%

Gross margins from our Data and Analytics Services segment, excluding severance expense of \$0.3 million were 45.1% of revenues during the nine-month period ended September 30, 2025, compared to 48.9% in the corresponding period of 2024. This gross margin decrease reflected lower utilization rates during the first nine months of 2025. Including the \$0.3 million of severance expense, gross margins were 44.1% for the Data and Analytics Services segment for the nine-month period ended September 30, 2025.

Gross margins from our IT Staffing Services segment were 24.0% in the nine months ended September 30, 2025, compared to 23.0% during the corresponding period of 2024. This 100-basis point increase was due to higher margins and bill rates on new assignments in 2025.

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

Below is a tabular presentation of operating expenses by expense category for the nine months ended September 30, 2025, and 2024, respectively:

SG&A Expenses (Amounts in millions)	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Data and Analytics Services Segment		
Sales and Marketing	\$ 5.1	\$ 6.0
Operations	0.5	0.5
General & Administrative	5.9	5.0
Subtotal Data and Analytics Services	\$ 11.5	\$ 11.5
IT Staffing Services Segment		
Sales and Marketing	\$ 6.2	\$ 6.7
Operations	5.7	6.4
General & Administrative	11.8	10.6
Subtotal IT Staffing Services	\$ 23.7	\$ 23.7
Amortization of Acquired Intangible Assets	\$ 1.9	\$ 2.0
Severance Expense	2.5	—
Finance and Accounting Transition Expense	1.6	—
Total SG&A Expenses	\$ 41.2	\$ 37.2

SG&A expenses for the nine months ended September 30, 2025, totaled \$41.2 million or 28.2% of total revenues, compared to \$37.2 million or 25.1% of total revenues for the nine months ended September 30, 2024. Excluding the severance expense and finance and accounting transition expense in the 2025 period and the amortization of acquired intangible assets in both periods, SG&A expense as a percentage of total revenues would have been 24.1% and 23.7%, respectively.

Fluctuations within SG&A expense components during the first nine months of 2025, compared to the first nine months of 2024, included the following:

- Sales expense decreased by \$1.4 million in the 2025 period compared to the corresponding 2024 period. Sales expense decreased by \$0.9 million in our Data and Analytics Services segment and by \$0.5 million in our IT Staffing Services segment due to staff reductions and lower marketing spend.
- Operations expense decreased by \$0.7 million in the 2025 period compared to the corresponding 2024 period. The entire decline occurred in our IT Staffing Services segment due to staff reductions.
- General and administrative expense increased by \$2.1 million in the 2025 period compared to the corresponding 2024 period. In our Data and Analytics Services segment, general and administrative expense increased by \$0.9 million and by \$1.2 million in our IT Staffing Services segment due to executive compensation, including stock based compensation, as well as executive recruiting costs and bad debt expense.
- Amortization of acquired intangible assets was \$0.1 million lower in the 2025 period compared to the corresponding 2024 period, as a portion of our intangible assets became fully amortized in 2025.
- Severance expense was \$2.5 million in the 2025 period, compared to no expense in the 2024 period. The expense related to the Company's exiting Chief Financial Officer, IT Staffing Sales Management and the Structural Optimization Costs described above.
- Finance and accounting transition expense was \$1.6 million in the 2025 period, compared to no expense in the 2024 period. The expense relates to the Company's decision to transition the Company's finance and accounting functions to India and includes severance and additional costs related to the duplication of resources and travel expenses during the training and knowledge transfer process.

Other Income / (Expense) Components:

Other Income / (Expense) for the nine months ended September 30, 2025, consisted of net interest income of \$571,000 and foreign exchange gains of \$118,000. For the nine months ended September 30, 2024, Other Income / (Expense) consisted of interest income of \$447,000 and foreign exchange losses of (\$74,000). The higher level of interest income was reflective of higher cash balances on hand in the 2025 period.

Income Tax Expense:

Income tax expense for the nine months ended September 30, 2025 totaled \$46,000 representing an effective tax rate on pre-tax losses of (14.5%) compared to \$994,000 for the nine months ended September 30, 2024, which represented a 24.2% effective tax rate on pre-tax income. The main driver for the tax rate in the 2025 period is the shortfall in the expected benefit from stock options, as well as state and foreign tax impacts. The 2024 period was also impacted by the utilization of Singapore tax benefits from our worthless stock deductions.

Liquidity and Capital Resources:

Financial Conditions and Liquidity:

As of September 30, 2025, we had no bank debt, cash balances on hand of \$32.7 million and approximately \$20.8 million of borrowing capacity under our existing credit facility.

Historically, we have funded our organic business needs with cash generated from operating activities. Controlling our operating working capital levels by closely managing our accounts receivable balance is an important element of cash generation. As of September 30, 2025, our accounts receivable "days sales outstanding" ("DSOs") measurement increased to 55-days, which was the level reported at September 30, 2024.

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

Cash flows provided by (used in) operating activities:

Cash provided by operating activities for the nine months ended September 30, 2025, totaled \$6.8 million compared to \$3.2 million during the nine months ended September 30, 2024. Elements of cash flow during the 2025 period were a net (loss) of (\$0.4) million, non-cash charges of \$2.8 million and a decrease in operating working capital levels of \$4.4 million. Elements of cash flow during the corresponding 2024 period were a net income of \$3.1 million, non-cash charges of \$4.4 million and an increase in operating working capital levels of (\$4.3 million). Operating working capital decreased in 2025 due to lower accounts receivable and an increase in accrued payroll liabilities.

Cash flows (used in) investing activities:

Cash (used in) investing activities for the nine months ended September 30, 2025, was (\$369,000) compared to (\$825,000) for the nine months ended September 30, 2024. In 2025 investing activities included capital expenditures of (\$351,000), and office lease deposits of (\$18,000). In 2024, investing activities consisted primarily of capital expenditures.

Cash flows provided by (used in) financing activities:

Cash provided by (used in) financing activities for the nine months ended September 30, 2025, totaled (\$992,000) and consisted of proceeds from the exercise of stock options of \$530,000, the issuance of common shares related to our Employee Stock Purchase Plan of \$70,000, offset by the purchase of treasury shares of (\$1,592,000). Cash provided by financing activities for the nine months ended September 30, 2024, totaled \$496,000 and consisted of proceeds from the exercise of stock options of \$440,000, the issuance of common shares related to our Employee Stock Purchase Plan of \$136,000, partially offset by the purchase of treasury shares of (\$80,000).

Off-Balance Sheet Arrangements:

Other than \$324,000 in outstanding letters of credit issued under our Credit Agreement, we do not have any off-balance sheet arrangements. For further details about the outstanding letters of credit, refer to Note 8 — “Credit Facility” in the Notes to Condensed Consolidated Financial Statements included herein.

Inflation:

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

In addition, refer to “Item 1A. Risk factors” in our 2024 Annual Report on Form 10-K for a discussion about risks that inflation directly or indirectly may pose to our business.

Seasonality:

Our consultants’ billable hours are affected by national holidays and vacation policies. Accordingly, we generally have lower utilization rates and higher benefit costs during the fourth quarter. Additionally, assignment completions tend to be higher near the end of the calendar year, which largely impacts our revenue and gross profit performance during the subsequent quarter.

Recently Issued Accounting Standards:

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rates

As of September 30, 2025, we had no outstanding borrowings under the Credit Agreements — Refer to Note 8 — “Credit Facility” in the Notes to Condensed Consolidated Financial Statements, included herein.

Currency Fluctuations

The reporting currency of the Company and its subsidiaries is the U.S. dollar. The functional currency of the Company’s subsidiary in Canada is the U.S. dollar because the majority of its revenue is denominated in U.S. dollars. The functional currencies of the Company’s Indian and European subsidiaries are the local currency of the location of such subsidiary. The results of operations of the Company’s Indian and European subsidiaries are translated at the monthly average exchange rates prevailing during the period. The financial position of the Company’s Indian and European subsidiaries is translated at the current exchange rates at the end of the period, and the related translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within Shareholders’ Equity. Gains and losses resulting from foreign currency transactions are included as a component of other income (expense), net in the Condensed Consolidated Statements of Operations, and have not been material for all periods presented. A hypothetical 10% increase or decrease in overall foreign currency rates in the first six months of 2025 would not have had a material impact on our consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

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

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

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

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on March 14, 2025.

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

A summary of our Common Stock repurchased during the quarter ended September 30, 2025 is set forth in the following table:

Period	Total Number of Shares Purchased (1)	Average Price per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under this Plan or Programs (1)
July 1, 2025 — July 31, 2025	17,186	\$ 7.99	17,186	389,382
August 1, 2025 — August 31, 2025	20,180	\$ 7.60	20,180	369,202
September 1, 2025 — September 30, 2025	154,746	\$ 7.66	154,746	214,456
Total	192,112	\$ 7.68	192,112	214,456

- (1) On February 8, 2023, the Company announced that the Board of Directors authorized a share repurchase program of up to 500,000 shares of Common Stock over a two-year period. Repurchases under the program may occur from time to time in the open market, through privately negotiated transactions, through block purchases or other purchase techniques (including Rule 10b5-1 programs), or by any combination of such methods, and the program may be modified, suspended or terminated at any time at the discretion of the Board of Directors. During the three months ended September 30, 2025, the Company purchased 138,500 shares through a block purchase at an average price of \$7.64 per share. On February 19, 2025, the Company announced that the Board of Directors had authorized an extension of its previously announced share repurchase program for an additional year through February 8, 2026. The Company did not repurchase any shares of its Common Stock during the quarter ended September 30, 2025, other than through this publicly announced share repurchase program.

ITEM 5. OTHER INFORMATION***Rule 10b5-1 Trading Plans of Directors and Section 16 Officers***

During the fiscal quarter ended September 30, 2025, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) informed us of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

Rule 10b5-1 Trading Plans of the Company

On June 9, 2025, the Company entered into a Rule 10b5-1 and Rule 10b-18 Repurchase Plan (the “10b5-1 Plan”) under our share repurchase program and, on September 15, 2025, the Company elected to terminate this 10b5-1 Plan in accordance with its terms. The 10b5-1 Plan was intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) and authorized the purchase of up to 406,568 shares of our Common Stock. During the three months ended September 30, 2025, we purchased 53,612 shares of our Common Stock under the 10b5-1 Plan for an average price of \$7.80 per share.

ITEM 6. EXHIBITS

(a) Exhibits

- 31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer is filed herewith.](#)
- 31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer is filed herewith.](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Executive Officer is furnished herewith.](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Chief Financial Officer is furnished herewith.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 13th day of November, 2025.

November 13, 2025

MASTECH DIGITAL, INC.

/s/ NIRAV PATEL

Nirav Patel
Chief Executive Officer

/s/ KANNAN SUGANTHARAMAN

Kannan Sugantharaman
Chief Financial Officer
(Principal Financial Officer)

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

I, Nirav Patel, certify that:

1. I have reviewed this report on Form 10-Q of Mastech Digital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MASTECH DIGITAL, INC.

Date: November 13, 2025

/S/ NIRAV PATEL

Nirav Patel

Chief Executive Officer

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

I, Kannan Sugantharaman, certify that:

1. I have reviewed this report on Form 10-Q of Mastech Digital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MASTECH DIGITAL, INC.

Date: November 13, 2025

/S/ KANNAN SUGANTHARAMAN

Kannan Sugantharaman
Chief Financial Officer

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

In connection with the Quarterly Report of Mastech Digital, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nirav Patel, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/S/ NIRAV PATEL

Nirav Patel

Chief Executive Officer

Date: November 13, 2025

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

In connection with the Quarterly Report of Mastech Digital, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kannan Sugantharaman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/S/ KANNAN SUGANTHARAMAN

Kannan Sugantharaman
Chief Financial Officer

Date: November 13, 2025
