UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _________ to _________

Commission File Number 0-28000

PRGX Global, Inc.

(Exact name of registrant as specified in its charter)

Georgia	**58-2213805**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
600 Galleria Parkway **Suite 100** **Atlanta, Georgia**	**30339-5986**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (770) 779-3900

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	PRGX	Nasdaq Global Select Market

Common shares of the registrant outstanding at May 3, 2019 were 23,571,201

PRGX GLOBAL, INC.

FORM 10-Q

For the Quarter Ended March 31, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PRGX GLOBAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue, net	$ 38,804	$ 36,721
Operating expenses:		
Cost of revenue	25,235	24,797
Selling, general and administrative expenses	13,917	11,264
Depreciation of property, equipment and software assets	2,203	1,223
Amortization of intangible assets	862	788
Total operating expenses	42,217	38,072
Operating loss from continuing operations	(3,413)	(1,351)
Foreign currency transaction losses (gains) on short-term intercompany balances	206	(220)
Interest expense, net	473	398
Other (income) loss	(19)	12
Loss from continuing operations before income tax	(4,073)	(1,541)
Income tax expense	168	787
Net loss from continuing operations	$ (4,241)	$ (2,328)
Discontinued operations:		
Loss from discontinued operations	$ (155)	$ (333)
Income tax expense	—	—
Net loss from discontinued operations	$ (155)	$ (333)
Net loss	$ (4,396)	$ (2,661)
Basic loss per common share (Note 2):		
Basic loss from continuing operations	$ (0.19)	$ (0.10)
Basic loss from discontinued operations	(0.01)	(0.01)
Total basic loss per common share	$ (0.20)	$ (0.11)
Diluted loss per common share (Note 2):		
Diluted loss from continuing operations	$ (0.19)	$ (0.10)
Diluted loss from discontinued operations	(0.01)	(0.01)
Total diluted loss per common share	$ (0.20)	$ (0.11)
Weighted-average common shares outstanding (Note 2):		
Basic	22,610	22,573
Diluted	22,610	22,573

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (4,396)	$ (2,661)
Foreign currency translation adjustments	513	275
Comprehensive loss	$ (3,883)	$ (2,386)

See accompanying Notes to Condensed Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,187	$ 13,973
Restricted cash	99	46
Receivables:		
Contract receivables, less allowances of $1,136 in 2019 and $1,024 in 2018		
Billed	39,729	43,878
Unbilled	2,741	2,987
	42,470	46,865
Employee advances and miscellaneous receivables, less allowances of $266 in 2019 and $176 in 2018	601	567
Total receivables	43,071	47,432
Prepaid expenses and other current assets	2,176	3,144
Total current assets	57,533	64,595
Property, equipment and software	67,492	65,252
Less accumulated depreciation	(44,988)	(43,224)
Property, equipment and software, net	22,504	22,028
Operating lease right-of-use assets (Note 9)	13,268	—
Goodwill	17,570	17,531
Intangible assets, less accumulated amortization of $44,424 in 2019 and $43,370 in 2018	14,137	14,945
Unbilled receivables	915	1,608
Deferred income taxes	3,542	3,561
Other assets	565	561
Total assets	$ 130,034	$ 124,829
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,641	$ 7,515
Accrued payroll and related expenses	10,093	15,073
Current portion of operating lease liabilities (Note 9)	4,530	—
Refund liabilities	6,044	6,497
Deferred revenue	2,388	2,428
Current portion of debt (Note 5)	48	48
Current portion of long-term incentive compensation liability	15	—
Business acquisition obligations (Note 6)	3,843	4,162
Total current liabilities	29,602	35,723
Long-term debt (Note 5)	29,661	21,553
Long-term operating lease liabilities (Note 9)	8,786	—
Refund liabilities	42	100
Deferred income taxes (Note 8)	666	666
Other long-term liabilities	47	458
Total liabilities	68,804	58,500
Commitments and contingencies (Note 7)		
Shareholders' equity (Note 2):		
Common stock, no par value; $.01 stated value per share. Authorized 50,000,000 shares; 23,438,058 shares issued and outstanding at March 31, 2019 and 23,186,258 shares issued and outstanding at December 31, 2018	234	232
Additional paid-in capital	581,356	582,574
Accumulated deficit	(519,852)	(515,456)
Accumulated other comprehensive loss	(508)	(1,021)
Total shareholders' equity	61,230	66,329
Total liabilities and shareholders' equity	$ 130,034	$ 124,829

See accompanying Notes to Condensed Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands, except share data)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance at December 31, 2018	23,186,258	$ 232	$ 582,574	$ (515,456)	$ (1,021)	$ 66,329
Net loss	—	—	—	(4,396)		(4,396)
Foreign currency translation adjustments	—	—	—	—	513	513
Issuances of common stock:						
Restricted share awards	333,552	3	(3)	—	—	—
Restricted shares remitted by employees for taxes	(61,581)	(1)	(503)	—	—	(504)
Stock option exercises	10,061	—	51	—	—	51
Performance-based restricted stock unit settlement	203,524	2	(2)	—	—	—
Restricted stock unit settlement	9,999	—	—	—	—	—
Repurchase of common stock	(243,755)	(2)	(2,226)	—	—	(2,228)
Stock-based compensation expense	—	—	1,465	—	—	1,465
Balance at March 31, 2019	23,438,058	$ 234	$ 581,356	$ (519,852)	$ (508)	$ 61,230
Balance at December 31, 2017	22,419,417	$ 224	$ 580,032	$ (520,049)	$ 107	$ 60,314
Net loss	—	—	—	(2,661)		(2,661)
Foreign currency translation adjustments	—	—	—	—	275	275
Issuances of common stock:						
Restricted share awards	20,500	—	—	—	—	—
Restricted shares remitted by employees for taxes	(134,993)	(1)	(1,087)	—	—	(1,088)
Stock option exercises	327,072	3	2,257	—	—	2,260
Performance-based restricted stock unit settlement	483,623	5	(5)	—	—	—
Restricted stock unit settlement	9,998	—	—	—	—	—
Forfeited restricted share awards	(31,000)	—	—	—	—	—
Stock-based compensation expense	—	—	701	—	—	701
Balance at March 31, 2018	23,094,617	$ 231	$ 581,898	$ (522,710)	$ 382	$ 59,801

PRGX GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net loss	$ (4,396)	$ (2,661)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	3,065	2,011
Operating lease right-of-use asset expense	1,135	—
Amortization of deferred loan costs	56	8
Noncash interest expense	—	278
Stock-based compensation expense	1,384	1,945
Foreign currency transaction losses (gains) on short-term intercompany balances	206	(220)
Deferred income taxes	—	169
Changes in operating assets and liabilities		
Restricted cash	(53)	(61)
Billed receivables	4,413	5,944
Unbilled receivables	939	(44)
Prepaid expenses and other current assets	516	369
Other assets	(12)	16
Accounts payable and accrued expenses	(3,048)	(1,645)
Accrued payroll and related expenses	(4,938)	(4,060)
Refund liabilities	(537)	144
Deferred revenue	(45)	300
Long-term incentive compensation payout	—	(5,380)
Operating lease liabilities	(1,093)	—
Other long-term liabilities	—	(82)
Net cash used in operating activities	(2,408)	(2,969)
Cash flows from investing activities:		
Business acquisition, net of cash acquired	—	19
Purchases of property, equipment and software, net of disposal proceeds	(4,441)	(2,520)
Net cash used in investing activities	(4,441)	(2,501)
Cash flows from financing activities:		
Repayments of credit facility	—	(1,500)
Proceeds from credit facility	8,400	1,500
Payment of deferred loan costs	(347)	—
Payment of earnout liability related to business acquisitions	(479)	—
Restricted stock repurchased from employees for withholding taxes	(504)	(1,088)
Repurchases of common stock	(2,228)	—
Proceeds from option exercises	51	2,260
Net cash provided by financing activities	4,893	1,172
Effect of exchange rates on cash and cash equivalents	170	423
Net decrease in cash and cash equivalents	(1,786)	(3,875)
Cash and cash equivalents at beginning of period	13,973	18,823
Cash and cash equivalents at end of period	$ 12,187	$ 14,948
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 325	$ 141
Cash paid during the period for income taxes, net of refunds received	$ 779	$ 529

See accompanying Notes to Condensed Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The accompanying Condensed Consolidated Financial Statements (Unaudited) of PRGX Global, Inc. and its wholly owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions for the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

Except as otherwise indicated or unless the context otherwise requires, “PRGX,” “we,” “us,” “our” and the “Company” refer to PRGX Global, Inc. and its subsidiaries. For further information, refer to the Consolidated Financial Statements and the related Notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, except for the Company’s lease policy which has been revised as a result of the implementation of a new standard effective January 1, 2019.

Significant Accounting Policies

Leases

The Company categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Company to substantially utilize or pay for the entire asset over its estimated life. Assets acquired under finance leases are recorded in property, equipment and software, net. All other leases are categorized as operating leases. The Company’s leases generally have terms that range from two to five years for equipment and two to ten years for real property.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. For leases of real property, the Company accounts for these other services as a component of the lease. For substantially all other leases, the services are accounted for separately and the Company allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives using a discount rate based on similarly secured borrowings available to the Company. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the lease term.

When the Company has the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the Company will exercise the option, the Company considers these options in determining the classification and measurement of the lease. The Company’s leases may include variable payments based on measures that include changes in price indices, which are expensed as incurred.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

Impact of Recently Issued Accounting Standards

A summary of the new accounting standards issued by the Financial Accounting Standards Board ("FASB") and included in the Accounting Standards Codification ("ASC") that apply to PRGX is included below:

Adopted by the Company in Fiscal Year 2019

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. ASU 2018-11 provides entities another option for transition, allowing entities to not apply the new standard in the comparative periods they present in their financial statements in the year of adoption.

Effective January 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective approach provided by ASU 2018-11. The Company elected certain practical expedients permitted under the transition guidance, including the election to carryforward historical lease classifications. The Company also elected the short-term lease practical expedient, which allowed the Company to not recognize leases with a term of less than twelve months on our consolidated balance sheets. In addition, the Company elected the lease and non-lease components practical expedient, for real property assets, which allowed us to calculate the present value of the fixed payments without performing an allocation of lease and non-lease components. Adoption of the new standard resulted in recording operating lease right-of-use assets and operating lease liabilities of approximately $14.4 million, with no material cumulative effect adjustment to retained earnings as of the date of adoption. The adoption of this standard did not have a material impact on our consolidated statements of operations or cash flows.

Operating leases are included in *Operating lease right-of-use assets*, *Current portion of operating lease liabilities* and *Long-term operating lease liabilities* on the Company's Condensed Consolidated Balance Sheet.

Accounting Standards Not Yet Adopted

FASB ASU 2018-13 - In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The new guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Upon the effective date, certain provisions are to be applied prospectively, while others are to be applied retrospectively to all periods presented. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. We are currently evaluating the effect of this standard on our consolidated financial statement disclosures. Since this standard only affects disclosure requirements, it is not expected to have an impact on the Company's consolidated financial statements.

(2) Net Loss Per Common Share

The following table sets forth the computations of basic and diluted net loss per common share for the three months ended March 31, 2019 and 2018 (in thousands, except per share data):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Numerator:		
Net loss from continuing operations	$ (4,241)	$ (2,328)
Net loss from discontinued operations	$ (155)	$ (333)
Denominator:		
Weighted-average common shares outstanding	22,610	22,573
Basic and diluted net loss per common share from continuing operations	$ (0.19)	$ (0.10)
Basic and diluted net loss per common share from discontinued operations	(0.01)	(0.01)
Total basic and diluted net loss per common share	$ (0.20)	$ (0.11)
Anti-dilutive securities awarded under equity compensation plans excluded from diluted net loss per share calculation	4,139	1,466

(3) Stock-Based Compensation

The Company has two stock-based compensation plans under which outstanding equity awards have been granted, the 2008 Equity Incentive Plan ("2008 EIP") and the 2017 Equity Incentive Compensation Plan ("2017 EICP") (collectively, the "Plans"). No additional awards may be granted under the 2008 EIP. Awards granted outside of the Plans are referred to as inducement awards.

During the three months ended March 31, 2019, equity awards were granted to certain key employees. The awards included stock options and nonvested stock awards (restricted stock, restricted stock units, and performance-based restricted stock units ("PBUs")).

Summary of Grant Activity

The following is a summary of grant activity for the three months ended March 31, 2019 (in thousands, except number of awards):

	Three Months Ended March 31, 2019	
	# of Awards Granted	Grant Date Fair Value
Stock options	190,000	$ 551
Restricted stock	333,552	2,824
Restricted stock units	34,000	273
PBUs	19,377	174

	576,929	$	3,822

The awards granted in the three months ended March 31, 2019 had the following terms:

- The stock options vest over three years in approximately equal annual installments commencing one year after the grant date.
- 130,436 shares of the restricted stock vest over three years in approximately equal annual installments and 237,116 shares of the restricted stock vest one year from the grant date.
- The restricted stock units vest one year from the grant date.
- The vesting of the PBUs is subject to the satisfaction of certain specified financial performance conditions for the two-year performance period ending on December 31, 2019. PBUs that vest will be settled in shares of the Company's common stock. Stock-based compensation expense for these PBUs is being recognized at the target level of financial performance, as if 100% of the awards will vest.

Additional Information

As of March 31, 2019, there were approximately 2.6 million shares available for future grant under the 2017 EICP.

Stock-based compensation expense for the three months ended March 31, 2019 and 2018 was $1.4 million and $1.9 million, respectively and is included in *Selling, general and administrative expenses* in the Company's Condensed Consolidated Statement of Operations. As of March 31, 2019, there was $9.4 million of unrecognized stock-based compensation expense related to the Company's outstanding equity awards which will be recognized over approximately 1.8 years.

During the three months ended March 31, 2019, the Company issued 203,524 shares of common stock related to the vesting of PBU awards granted in 2017 and 2018.

(4) Operating Segments and Related Information

The Company conducts its operations through the following three reportable segments:

Recovery Audit Services – Americas represents recovery audit services (other than Healthcare Claims Recovery Audit services) provided in the United States of America ("U.S."), Canada and Latin America.

Recovery Audit Services – Europe/Asia-Pacific represents recovery audit services (other than Healthcare Claims Recovery Audit services) provided in Europe, Asia and the Pacific region.

Adjacent Services represents data transformation, spend analytics, PRGX OPTIX®, supplier information management ("SIM") services and associated advisory services.

Additionally, ***Corporate Support*** includes the unallocated portion of corporate selling, general and administrative expenses not specifically attributable to the three reportable segments.

Discontinued Operations

As of December 31, 2015, the Company discontinued its Healthcare Claims Recovery Audit ("HCRA") services business. PRGX entered into agreements with third parties to fulfill its Medicare recovery audit contractor ("RAC") program subcontract obligations to audit Medicare payments and provide support for claims appeals and assigned its remaining Medicaid contract to another party. One of the third-party Medicare RAC-related contracts has been settled and the results are reflected in these financial statements. The Company will continue to incur certain expenses until the remaining Medicare RAC contracts are concluded. Associated with the discontinued HCRA services business, the Company has an accrued liability for outstanding Medicare RAC appeals of approximately $2.0 million and a receivable of approximately $1.7 million for unpaid claims as of March 31, 2019. The HCRA services business is reported as Discontinued Operations in accordance with GAAP.

The following table presents the discontinued operations of the HCRA services business in the Consolidated Statement of Operations, for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended March 31,	
	2019	2018
Revenue, net	$ —	$ —
Cost of sales	149	329
Selling, general and administrative expense	6	3
Depreciation and amortization	—	1
Loss from discontinued operations before income taxes	$ (155)	$ (333)
Income tax expense	—	—
Net loss from discontinued operations	$ (155)	$ (333)

The following table presents the discontinued operations of the HCRA services business in the Consolidated Statements of Cash Flows, for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net cash used in operating activities	$ (155)	$ (332)
Net cash used in investing activities	—	—
Net cash provided by financing activities	—	—
Decrease in cash and cash equivalents	$ (155)	$ (332)

The Company evaluates the performance of its reportable segments based upon revenue and measures of profit or loss referred to as EBITDA and Adjusted EBITDA. The Company defines Adjusted EBITDA as earnings from continuing operations before interest and taxes (“EBIT”), adjusted for depreciation and amortization (“EBITDA”), and then further adjusted for unusual and other significant items that management views as distorting the operating results of the various segments from period to period. Such adjustments include restructuring charges, stock-based compensation, bargain purchase gains, acquisition-related charges and benefits (acquisition transaction costs, acquisition obligations classified as compensation, and fair value adjustments to acquisition-related contingent consideration), tangible and intangible asset impairment charges, certain litigation costs and litigation settlements, certain severance charges and foreign currency transaction gains and losses on short-term intercompany balances viewed by management as individually or collectively significant. The Company does not have any inter-segment revenue.

Segment information for the three months ended March 31, 2019 and 2018 (in thousands) is as follows:

	Recovery Audit Services – Americas	Recovery Audit Services – Europe/Asia-Pacific	Adjacent Services	Corporate Support	Total
Three Months Ended March 31, 2019					
Revenue, net	$ 27,373	$ 9,759	$ 1,672	$ —	$ 38,804
Net loss from continuing operations					(4,241)
Income tax expense					168
Interest expense, net					473
EBIT	$ 6,004	$ 313	$ (2,145)	$ (7,772)	$ (3,600)
Depreciation of property, equipment and software	1,762	162	279	—	2,203
Amortization of intangible assets	438	37	387	—	862
EBITDA	$ 8,204	$ 512	$ (1,479)	$ (7,772)	$ (535)
Other loss (income)	—	9	—	(28)	(19)
Foreign currency transaction (gains) losses on short-term intercompany balances	(73)	399	(6)	(114)	206
Transformation, severance, and other expenses	128	123	18	428	697
Stock-based compensation	—	—	—	1,384	1,384
Adjusted EBITDA	$ 8,259	$ 1,043	$ (1,467)	$ (6,102)	$ 1,733

	Recovery Audit Services – Americas	Recovery Audit Services – Europe/Asia-Pacific	Adjacent Services	Corporate Support	Total
Three Months Ended March 31, 2018					
Revenue, net	$ 25,958	$ 10,027	$ 736	$ —	$ 36,721
Net loss from continuing operations					(2,328)
Income tax expense					787
Interest expense, net					398
EBIT	$ 5,725	$ 1,548	$ (1,721)	$ (6,695)	$ (1,143)
Depreciation of property, equipment and software	897	142	184	—	1,223
Amortization of intangible assets	337	61	390	—	788
EBITDA	$ 6,959	$ 1,751	$ (1,147)	$ (6,695)	$ 868
Other loss (income)	—	49	—	(37)	12
Foreign currency transaction losses (gains) on short-term intercompany balances	57	(229)	(9)	(39)	(220)
Transformation, severance, and other expenses	63	543	68	—	674
Stock-based compensation	—	—	—	1,945	1,945
Adjusted EBITDA	$ 7,079	$ 2,114	$ (1,088)	$ (4,826)	$ 3,279

(5) Debt

On March 14, 2019, the Company, as co-borrower with PRGX USA, Inc. ("PRGX-USA"), a wholly owned subsidiary that is the Company's principal domestic operating subsidiary, entered into a five-year Credit Agreement (the "BOA Credit Facility") with Bank of America, N.A. ("BOA"), and Synovus Bank as the initial lenders thereunder, and with BOA as the letter-of-credit issuer thereunder, as the swingline lender thereunder, and as the administrative agent (the "Administrative Agent") for the lenders from time to time party thereto. The BOA Credit Facility consists of a $60.0 million senior revolving credit facility (the "Revolver"), with a $5.0 million subfacility for the issuance of letters of credit, and a $5.0 million swingline loan subfacility (the "Swingline Loan"). The BOA Credit Facility is guaranteed by each of PRGX's direct and indirect domestic wholly owned subsidiaries (other than PRGX-USA), except for certain immaterial domestic subsidiaries. None of PRGX's direct or indirect foreign subsidiaries has guaranteed the BOA Credit Facility. The BOA Credit Facility is secured by substantially all of the assets of PRGX, PRGX-USA and each guarantor (including the equity interests in substantially all of the Company's domestic subsidiaries and up to sixty-five percent (65%) of the equity interests of certain of the Company's first-tier material foreign subsidiaries).

In connection with the closing of the BOA Credit Facility, PRGX borrowed $30.0 million under the Revolver, substantially all of which was used to prepay in full the approximately $29.0 million in outstanding indebtedness owed to the lenders under PRGX's pre-existing Amended & Restated Revolving Credit Agreement, dated December 23, 2014, as amended from time to time, by and among PRGX, PRGX-USA, the several banks and other financial institutions and lenders from time to time party thereto and SunTrust Bank, in its capacity as administrative agent for the lenders (the "SunTrust Credit Facility"), and to terminate that prior credit facility in its entirety. There were no early termination penalties associated with the termination of the SunTrust Credit Facility.

The BOA Credit Facility will mature on March 14, 2024. Interest is payable quarterly in arrears. There are no prepayment penalties in the event the Company elects to prepay and terminate the BOA Credit Facility prior to its scheduled maturity date, subject to breakage and redeployment costs in certain limited circumstances.

The Revolver bears interest at a rate per annum comprised of a specified index rate based on LIBOR plus an applicable interest rate margin determined under the BOA Credit Facility. For U.S. Dollar denominated loans under the Revolver, at the option of the Borrowers, such loans shall bear interest at a rate per annum equal to (x) the LIBOR daily floating rate plus an applicable interest rate margin determined under the BOA Credit Facility or (y) the base rate plus the applicable interest rate margin, each as determined under the BOA Credit Facility. Although the Company does not anticipate the need for Swingline Loans, were any Swingline Loans to be made they would bear interest at the base rate plus the applicable interest rate margin for base rate loans, each as determined under the BOA Credit Facility. The applicable interest rate margin varies from 1.50% per annum to 2.25% per annum, for LIBOR daily floating rate loans, and from 0.50% per annum to 1.25% per annum, for loans based on the base rate, and in either case depending on the Company's consolidated leverage ratio, and is determined in accordance with a pricing grid under the BOA Credit Facility. On March 14, 2019, the closing date under the BOA Credit Facility, the applicable interest rate (inclusive of the applicable interest rate margin) for LIBOR daily floating rate loans (the only type outstanding on the closing date) was 3.89% per annum.

The BOA Credit Facility includes customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports and maintenance of existence. The negative covenants limit the ability of the Company, among other things, to incur debt, incur liens, make investments and sell assets, but does provide for certain permitted repurchases of shares of its capital stock and the declaration and payment of certain dividends on its capital stock. The financial covenants included in the BOA Credit Facility set forth a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio for the Company, each which will be tested on a quarterly basis; and with the Company having the ability to increase the maximum leverage ratio for a limited time when needed in connection with permitted acquisitions. In addition, the BOA Credit Facility includes customary events of default.

	As of March 31, 2019	As of December 31, 2018
Credit facility(1)	$ 30,000	$ 21,600
DFC (2)	(345)	(65)
Net credit facility	29,655	21,535
Finance lease obligations(1)	54	66
Total debt	29,709	21,601
Less: Current portion of long-term debt	48	48
Long-term debt, excluding current portion	$ 29,661	$ 21,553

(1) Principal portion of long-term debt. Refer to Future Commitments table below for principal payments to be made on long-term debt.

(2) DFC refers to deferred financing costs related to the Company's long-term debt.

Future Commitments

The following is a summary of the combined principal maturities of all long-term debt and principal payments to be made under the Company’s finance lease agreements for each of the fiscal years presented in the table below (in thousands):

Year Ended December 31,	
2019	$ 48
2020	6
2021	—
2022	—
2023	—
2024	30,000
Total	$ 30,054

(6) Fair Value of Financial Instruments

The Company records cash equivalents at cost, which approximates fair market value. The carrying values for receivables from clients, unbilled receivables, accounts payable, deferred revenue and other accrued liabilities reasonably approximate fair market value due to the nature of the financial instrument and the short-term maturity of these items.

The Company records bank debt, if any, as of the period end date based on the effective borrowing rate and repayment terms when originated. The Company had $30.0 million in bank debt outstanding as of March 31, 2019 and $21.6 million in bank debt outstanding as of December 31, 2018. The Company believes the carrying value of the bank debt approximates its fair value. The Company considers the factors used in determining the fair value of this debt to be Level 3 inputs (significant unobservable inputs).

The Company had $3.8 million of business acquisition obligations as of March 31, 2019, and $4.2 million of business acquisition obligations as of December 31, 2018. The Company's business acquisition obligations represent the estimated fair value of the deferred consideration and projected earn-out payments due as of the end of the reporting period. The Company determines the estimated fair value of business acquisition obligations based on its projections of future revenue and profits or other factors used in the calculation of the ultimate payment(s) to be made. The discount rate that the Company uses to value the liability is based on specific business risk, cost of capital, and other factors. The Company considers these factors to be Level 3 inputs (significant unobservable inputs).

The Company states certain assets at fair value on a nonrecurring basis as required by GAAP. Generally, these assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

(7) Commitments and Contingencies

Legal Proceedings

The Company is party to a variety of legal proceedings arising in the normal course of business. While the results of these proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

(8) Income Taxes

Reported income tax expense in each period primarily results from taxes on the income of foreign subsidiaries. The effective tax rates generally differ from the expected tax rate due primarily to the Company's deferred tax asset valuation allowance on the domestic earnings and taxes on income of foreign subsidiaries.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service in the U.S. and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

The Company applies a "more-likely-than-not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. PRGX refers to GAAP for guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FASB ASC 740, the Company's policy for recording interest and penalties associated with tax positions is to record such items as a component of income before income taxes. A number of years may elapse before a tax position is audited and finally resolved or when a tax assessment is raised. The number of years subject to tax assessments also varies by tax jurisdiction.

(9) Leases

The Company primarily leases office space and certain office equipment using noncancelable operating leases. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the implicit rate is not readily determinable in most of the Company's lease agreements, the Company uses its estimated secured incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the lease terms. Certain of our lease agreements include variable lease payments, primarily related to common area maintenance, insurance and taxes. The variable portion of payments is not included in the initial measurement of the right-of-use asset or lease liability due to the uncertainty of the payment amount and are recorded as lease expense in the period incurred.

The Company's leases have original lease periods expiring between 2019 and 2027, which may include the option to extend the lease when it is reasonably certain the Company will exercise that option. The Company does not have lease agreements with residual value guarantees, sale leaseback terms or material restrictive covenants.

The components of lease expense, lease term and discount rate are as follows (in thousands):

	Three Months Ended March 31, 2019
Operating lease cost	$ 1,266
Short-term lease cost	21
Variable lease cost	43
Sublease income	(17)
Total lease cost	$ 1,313
Weighted Average Remaining Lease Term	3.5
Weighted Average Discount Rate	4.1%

The following is a schedule, by years, of maturities of lease liabilities as of March 31, 2019 (in thousands):

	Operating Leases
The remainder of 2019	$ 3,737
2020	4,359
2021	3,488
2022	1,434
2023	641
Thereafter	637
Total undiscounted cash flows	14,296
Less imputed interest	(980)
Present value of lease liabilities	$ 13,316

Future minimum lease payments under noncancelable operating leases including the amended lease for our principal executive offices, are as of December 31, 2018 (in thousands):

Year Ending December 31,	Gross	Sublease Income	Amount
2019	$ 4,974	$ (72)	$ 4,902
2020	3,882	(74)	3,808
2021	3,248	(77)	3,171
2022	1,168	—	1,168
2023	488	—	488
Total payments	$ 13,760	$ (223)	$ 13,537

Rent expense for the three months ended March 31, 2018 was $1.3 million.

Supplemental cash flow information related to the Company's operating leases are as follows (in thousands):

	Three Months Ended March 31, 2019
Non-cash activity:	
Right-of-use assets obtained in exchange for operating lease obligations	$ 14,404
Operating cash flows:	
Cash paid for amounts included in the measurement of lease liabilities	$ 1,224

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

Forward-Looking Statements

Some of the information in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which statements involve substantial risks and uncertainties including, without limitation, statements regarding future results of operations or the Company’s financial condition; the adequacy of the Company’s current working capital and other available sources of funds for capital expenditures and otherwise; the Company's goals and plans for the future, including its strategic initiatives and growth opportunities; expectations regarding future revenue and growth trends; and the expected impact of the Company’s decision to exit the Company's Healthcare Claims Recovery Audit Services business. All statements that cannot be assessed until the occurrence of a future event or events should be considered forward-looking. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and can be identified by the use of forward-looking words such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate” and “continue” or similar words. Forward-looking statements are based on our beliefs as well as assumptions based on information currently available to us, including financial and operational information, the volatility of our stock price, and current competitive conditions. Risks and uncertainties that may potentially impact these forward-looking statements include, without limitation, those set forth under Part I, Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and its other periodic reports filed with the Securities and Exchange Commission. The Company disclaims any obligation or duty to update or modify these forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by law.

There may be events in the future, however, that the Company cannot accurately predict or over which the Company has no control. The risks and uncertainties listed in this section, as well as any cautionary language in this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of any of the events denoted above as risks and uncertainties and elsewhere in this Quarterly Report on Form 10-Q could have a material adverse effect on our business, financial condition and results of operations.

You should read the following discussion and analysis in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018 and our other periodic reports filed with the Securities and Exchange Commission and the condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Except as otherwise indicated or unless context otherwise requires, “PRGX”, “we,” “us,” “our” and the "Company” refer to PRGX Global, Inc. and its subsidiaries.

Business Overview

PRGX Global, Inc. is a global leader in recovery audit and spend analytics, providing a suite of services targeted at our clients' Source-to-Pay ("S2P") business processes. At the heart of our services suite is the core capability of mining client data to deliver "actionable insights." Actionable insights allow our clients to improve their cash flow and profitability by reducing costs, improving business processes and managing risks.

In addition to recovery audit and spend analytics, we offer advisory and supplier information management ("SIM") services. We deliver services to hundreds of clients and serve clients in more than 30 countries. We conduct our operations through three reportable segments: Recovery Audit Services - Americas, Recovery Audit Services - Europe/Asia-Pacific and Adjacent Services. The Recovery Audit Services - Americas segment represents recovery audit services we provide in the U.S., Canada and Latin America. The Recovery Audit Services - Europe/Asia-Pacific segment represents recovery audit services we provide in Europe, Asia and the Pacific region. The Adjacent Services segment includes advisory, analytics and SIM services, as well as our PRGX OPTIX suite of analytics tools. We include the unallocated portion of corporate selling, general and administrative expenses not specifically attributable to the three reportable segments in Corporate Support.

Recovery auditing is a business service focused on finding overpayments created by errors in payment transactions, such as missed or inaccurate discounts, allowances and rebates, vendor pricing errors, erroneous coding and duplicate payments. Recovery audit services are part of the broader S2P services market space, focused on the payment side of the S2P market.

Generally, we earn our recovery audit revenue on a contingent fee basis by identifying overpayments made by our clients, assisting our clients in recovering the overpayments from their vendors, and collecting a specified percentage of the recoveries from our clients as our fee. The fee percentage we earn is based on specific contracts with our clients that generally also specify: (a) time periods covered by the audit; (b) the nature and extent of services we are to provide; and (c) the client’s responsibilities to assist and cooperate with us. Clients generally recover claims by either taking credits against outstanding payables or future purchases from the relevant vendors, or receiving refund checks directly from those vendors. The manner in which a claim is recovered by a client is often dictated by industry practice. In addition, many clients establish client-specific procedural guidelines that we must satisfy prior to submitting claims for client approval. Our recovery audit business also includes contract compliance services which focus on auditing complex supplier billings against large services, construction and licensing contracts, and is relevant to a large portion of our client base. Such services include verification of the accuracy of third-party reporting, appropriateness of allocations and other charges in cost or revenue sharing types of arrangements, adherence to contract covenants and other risk mitigation requirements and numerous other reviews and procedures to assist our clients with proper monitoring and enforcement of the obligations of their contractors. Services in our Adjacent Services segment can be project-based (advisory services), which are typically billed on a rates and hours basis, or subscription-based (typically SaaS offerings), which are billed on a monthly basis.

We earn the vast majority of our recovery audit revenue from clients in the retail industry due to many factors, including the high volume of transactions and the complicated pricing and allowance programs typical in this industry. Changes in consumer spending associated with economic fluctuations generally impact our recovery audit revenue to a lesser degree than they affect individual retailers due to several factors, including:

- Diverse client base - our clients include a diverse mix of discounters, grocery, pharmacy, department and other stores that tend to be impacted to varying degrees by general economic fluctuations, and even in opposite directions from each other depending on their position in the market and their market segment;
- Motivation - when our clients experience a downturn, they frequently are more motivated to use our services to recover prior overpayments to make up for relatively weaker financial performance in their own business operations;
- Nature of claims - the relationship between the dollar amount of recovery audit claims identified and client purchases is non-linear. Claim volumes are generally impacted by purchase volumes, but a number of other factors may have an even more significant impact on claim volumes, including new items being purchased, changes in discount, rebate, marketing allowance and similar programs offered by vendors and changes in a client's or a vendor's information processing systems; and
- Timing - the client purchase data on which we perform our recovery audit services is historical data that typically reflects transactions between our clients and their vendors that took place 3 to 15 months prior to the data being provided to us for audit. As a result, we generally experience a delayed impact from economic changes that varies by client and the impact may be positive or negative depending on the individual clients' circumstances.

We have processes in place to mitigate the financial impact arising from fluctuations in our businesses. These processes include reviewing and monitoring financial and operational results through our internal reporting, devoting substantial efforts to develop an improved service delivery model to enable us to more cost effectively serve our clients, and maintaining the flexibility to control the compensation-related portions of our cost structure.

While the net impact of the economic environment on our recovery audit revenue is difficult to determine or predict, we believe that for the foreseeable future, our revenue will remain at a level that will allow us to continue investing in our growth strategy. Included in our growth strategy are our investments in developing and enhancing our technology platforms and improved operational processes within our recovery audit business. In addition, we continue to pursue the expansion of our business beyond retail recovery audit services by growing the portion of our business that provides recovery audit services to enterprises other than retailers; growing our contract compliance service offerings; expanding into new industry verticals, such as telecommunications, manufacturing and resources; and growing our Adjacent Services which includes our global PRGX OPTIX analytics solutions and our SIM services offering. We believe that our recovery audit business uniquely positions us to create value for clients and gives us a competitive advantage over other players in the broader S2P market for four fundamental reasons:

- We already have the clients' spend data - we serve a large and impressive list of very large, multinational companies in our core recovery audit business, which requires access to and processing of these clients' detailed S2P data on a daily, weekly or at least periodic basis;
- We know the clients' spend data and underlying processes - the work we do in recovery audit requires that we fully understand our clients' systems, buying practices, receiving and payment procedures, as well as their suppliers' contracting, performance and billing practices;
- We take a different perspective in analyzing the clients' spend data - we look horizontally across our clients' processes and organizational structures versus vertically, which is how most companies are organized and enterprise resource planning systems are designed; and
- Our contingent fee recovery audit value proposition minimizes our clients' cost of entry and truly aligns us with our clients.

As our clients' data volumes and complexity levels continue to grow, we are using our deep data management experience to develop new actionable insight solutions, as well as to develop custom analytics and data transformation services. Taken together, our deep understanding of our clients' S2P data and our technology-based solutions provide multiple routes to help our clients achieve greater profitability. Our Adjacent Services business targets client functional and process areas where we have established expertise, enabling us to provide services to finance, merchandising and procurement executives to improve working capital, reduce supplier discrepancies, optimize purchasing leverage in vendor pricing negotiations, improve insight into product margin and true cost of goods for resale, identify and manage risks associated with vendor compliance, improve quality of vendor master data and improve visibility and diagnostics of direct and indirect spend.

Looking ahead, we expect to continue the evolution of our business from its historical auditor-led recovery audit operation, to today's data-driven, technology-led recovery audit, SIM and analytics solutions, to tomorrow's next generation payment assurance solutions, which will provide access to software and enable services closer in time to or contemporaneous with the transaction. We believe this evolution will allow us to provide incremental value to our clients and ultimately transform our business from one primarily focused on post-transaction analysis, error identification and recovery, to one with its major emphasis on error prevention and S2P process efficiency.

We believe that for the foreseeable future, our revenue will remain at a level that will allow us to continue investing in our growth strategy, including developing and enhancing our technology platforms and improved operational processes within our recovery audit business. We have processes in place to mitigate the financial impact arising from fluctuations in our businesses. These processes include reviewing and monitoring financial and operational results through our internal reporting, devoting substantial efforts to develop an improved service delivery model to enable us to more cost effectively serve our clients, and maintaining the flexibility to control the compensation-related portions of our cost structure.

We expect to continue our information technology and product development efforts to improve our services and solutions. In 2019, we continue to increase our sales force to accelerate our acquisition of new clients and the cross-sale of solutions within our existing client base. We expect to continue investing in sales and marketing and will continue to assess the success and effectiveness of our sales and marketing efforts and the optimal level of sales and marketing investment for future periods. We also expect to continue to add headcount in product development, data services, advisory services and recovery audit to support new services and client contracts. We believe that our investments in next generation recovery audit technology will further increase the operating leverage in our recovery audit platform in future years.

Discontinued Operations

As of December 31, 2015, the Company discontinued its HCRA business. In connection with the discontinuation of that business, the Company entered into agreements with third parties to fulfill its Medicare RAC program subcontract obligations to audit Medicare payments and provide support for claims appeals and assigned its remaining Medicaid contract to another party. One of the third-party Medicare RAC-related contracts has been settled and the results are reflected in the Company's financial statements included in this report. The Company will continue to incur certain expenses until the remaining Medicare RAC contracts and relationships are concluded.

Results of Operations from Continuing Operations

The discussions and financial results in this Item 2 reflect our results from continuing operations.

The following table sets forth the percentage of revenue represented by certain items in the Company’s Condensed Consolidated Statements of Operations (Unaudited) for the periods indicated:

	Three Months Ended March 31,	
	2019	**2018**
Revenue, net	100.0 %	100.0 %
Operating expenses:		
Cost of revenue	65.0	67.5
Selling, general and administrative expenses	35.9	30.7
Depreciation of property, equipment and software	5.7	3.3
Amortization of intangible assets	2.2	2.1
Total operating expenses	108.8	103.6 %
Operating loss from continuing operations	(8.8)	(3.6)
Foreign currency transaction losses (gains) on short-term intercompany balances	0.5	(0.6)
Interest expense, net	1.2	1.1
Net loss from continuing operations before income tax	(10.5)	(4.1)
Income tax expense	—	2.1
Net loss from continuing operations	(10.5)%	(6.2)%

Three Months Ended March 31, 2019 Compared to the Corresponding Period of the Prior Year

Revenue, net. Revenue, net was as follows (in thousands):

	Three Months Ended March 31,		
	2019	2018	Change
Recovery Audit Services – Americas	$ 27,373	$ 25,958	5.5 %
Recovery Audit Services – Europe/Asia-Pacific	9,759	10,027	(2.7)%
Adjacent Services	1,672	736	127.2 %
Total	$ 38,804	$ 36,721	5.7 %

Consolidated revenue for the three months ended March 31, 2019 increased compared to the same period in 2018. Below is a discussion of our revenue for our three reportable segments.

Recovery Audit Services – Americas revenue increased for the three months ended March 31, 2019 compared to the same period in 2018. The year-over-year growth in revenue was led by our U.S. commercial recovery audit business.

Recovery Audit Services – Europe/Asia-Pacific revenue decreased for the three months ended March 31, 2019 compared to the same period in 2018. The year-over-year decrease was a result of lower than expected revenues in Europe.

Adjacent Services revenue increased for the three months ended March 31, 2019 compared to the same period in 2018. The year-over-year growth in revenue was attributable to both advisory services and Software-as-a-Service solution.

Cost of Revenue ("COR"). COR consists principally of commissions and other forms of variable compensation we pay to our auditors based primarily on the level of overpayment recoveries and/or profit margins derived therefrom, fixed auditor salaries, our data services costs allocated to client projects, compensation paid to various types of hourly support staff and salaries for operational and client service managers for our recovery audit services and our Adjacent Services businesses. COR also includes other direct and indirect costs incurred by these personnel, including office rent, travel and entertainment, telephone, utilities, maintenance and supplies and clerical assistance. A significant portion of the components comprising COR is variable and will increase or decrease with increases or decreases in revenue. Since the timing of our recognition of recovery audit revenue is impacted by the timing of claims recovery by our clients, which can often take between two and four months for a typical recovery audit engagement and even longer for the more complex contract compliance engagements, our revenue growth may lag incremental variable COR as we grow.

COR was as follows (in thousands):

	Three Months Ended March 31,			% of Revenue	
	2019	2018	Change	2019	2018
Recovery Audit Services – Americas	$ 15,863	$ 16,151	(1.8)%	58.0%	62.2%
Recovery Audit Services – Europe/Asia-Pacific	6,726	7,085	(5.1)%	68.9%	70.7%
Adjacent Services	2,646	1,561	69.5 %	158.3%	212.1%
Total	$ 25,235	$ 24,797	1.8 %	65.0%	67.5%

COR as a percentage of revenue for Recovery Audit Services - Americas improved from 62.2% in the first quarter of 2018 to 58.0% in the first quarter of 2019. The improvement in COR for Recovery Audit Services - Americas as a percentage of revenue in the three months ended March 31, 2019 is primarily due to the increase in revenue and our continued operational process improvements.

COR as a percentage of revenue for Recovery Audit Services - Europe/Asia-Pacific improved from 70.7% in the first quarter of 2018 to 68.9% for the first quarter of 2019. The improvement in COR for Recovery Audit Services - Europe/Asia-Pacific as a percentage of revenue in the three months ended March 31, 2019 is primarily due to improved operational processes.

COR as a percentage of revenue for Adjacent Services improved from 212.1% in the first quarter of 2018 to 158.3% in the first quarter of 2019. The improvement in Adjacent Services COR is primarily related to the increased year-over-year revenue.

Selling, General and Administrative Expenses ("SG&A"). SG&A expenses for all segments other than Corporate Support include the expenses of sales and marketing activities, information technology services and allocated corporate data center costs, human resources, legal, accounting, administration, foreign currency transaction gains and losses other than those relating to short-term intercompany balances and gains and losses on asset disposals. Corporate Support SG&A represents the unallocated portion of SG&A expenses which are not specifically attributable to our segment activities and include the expenses of information technology services, the corporate data center, human resources, legal, finance, executive management, accounting, treasury, administration, and stock-based compensation expense.

SG&A expenses were as follows (in thousands):

	Three Months Ended March 31,		
	2019	2018	Change
Recovery Audit Services – Americas	$ 3,379	$ 2,791	21.1%
Recovery Audit Services – Europe/Asia-Pacific	2,113	1,371	54.1%
Adjacent Services	511	331	54.4%
Subtotal for reportable segments	6,003	4,493	33.6%
Corporate Support	7,914	6,771	16.9%
Total	$ 13,917	$ 11,264	23.6%

Recovery Audit Services – Americas SG&A expenses increased for the three months ended March 31, 2019, compared to the first quarter of 2018. The year-over-year increase in expense was primarily due to our investment in our sales organization.

Recovery Audit Services – Europe/Asia-Pacific SG&A expenses increased for the three months ended March 31, 2019 compared to the first quarter of 2018. The year-over-year increase in expense was primarily due to bad debt expense and additional training and development activities.

Adjacent Services SG&A expenses increased for the three months ended March 31, 2019, compared to the first quarter of 2018. The year-over-year increase was primarily related to higher project related costs.

Corporate Support SG&A increased for the three months ended March 31, 2019, compared to the first quarter of 2018. Corporate Support SG&A includes stock-based compensation expense of $1.4 million and $1.9 million, respectively. Excluding stock-based compensation expense, Corporate Support SG&A expenses increased for the three months ended March 31, 2019, compared to the first quarter of 2018, primarily as a result of our investment in product innovation.

Depreciation of property, equipment and software. Depreciation of property, equipment and software was as follows (in thousands):

	Three Months Ended March 31,		
	2019	2018	Change
Recovery Audit Services – Americas	$ 1,762	$ 897	96.4%
Recovery Audit Services – Europe/Asia-Pacific	162	142	14.1%
Adjacent Services	279	184	51.6%
Total	$ 2,203	$ 1,223	80.1%

Depreciation expense increased for the three months ended March 31, 2019, as a result of the increased level of capital expenditures and assets placed into service compared to the same period in 2018.

Amortization of intangible assets. Amortization of intangible assets was as follows (in thousands):

	Three Months Ended March 31,		
	2019	2018	Change
Recovery Audit Services – Americas	$ 438	$ 337	30.0 %
Recovery Audit Services – Europe/Asia-Pacific	37	61	(39.3)%
Adjacent Services	387	390	(0.8)%
Total	$ 862	$ 788	9.4 %

Generally, we amortize the customer relationship and trademark intangible assets we record in connection with an acquisition on an accelerated basis over six years or longer, and we amortize non-compete agreements and trade names on a straight-line basis over five years or less. This methodology results in higher amortization immediately following an acquisition, and declining expense in subsequent periods. Amortization expense increased for the three months ended March 31, 2019, compared to the same period in 2018.

Foreign Currency Transaction (Gains) Losses on Short-Term Intercompany Balances. Foreign currency transaction gains and losses on short-term intercompany balances result from fluctuations in the exchange rates for foreign currencies and the U.S. dollar and the impact of these fluctuations, primarily on balances payable by our foreign subsidiaries to their U.S. parent. Substantial changes from period to period in foreign currency exchange rates may significantly impact the amount of such gains and losses. The strengthening of the U.S. dollar relative to other currencies results in recorded losses on short-term intercompany receivables from our foreign subsidiaries while the relative weakening of the U.S. dollar results in recorded gains. In the three months ended March 31, 2019, we recorded foreign currency transaction losses of $0.2 million on short-term intercompany balances compared to gains of $0.2 million for the same period in 2018.

Interest Expense, net. Interest expense, net increased $0.1 million for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. The increase is primarily due to increased borrowings under our credit facility.

Income Tax Expense. Our income tax expense amounts as reported in the accompanying Condensed Consolidated Financial Statements (Unaudited) do not reflect amounts that normally would be expected due to several factors. The most significant of these factors is that for U.S. tax reporting purposes we have net operating loss carryforwards and other tax attributes which created deferred tax assets on our balance sheet. We reduce our deferred tax assets by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. Generally, these factors have resulted in minimal income tax expense or benefit relating to our operations in the United States. Reported income tax expense for the three months ended March 31, 2019 and 2018 primarily results from taxes on the income of certain of our foreign subsidiaries.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to the future realization of deferred tax assets. Over the next twelve months, management may be in the position to have sufficient positive evidence to release partially or in full the valuation allowance held over our U.S. deferred tax assets.

Non-GAAP Financial Measures

We evaluate the performance of our operating segments based upon revenue and measures of profit or loss we refer to as EBITDA and Adjusted EBITDA. We define Adjusted EBITDA as earnings from continuing operations before interest and taxes (“EBIT”), adjusted for depreciation and amortization (“EBITDA”), and then adjusted for unusual and other significant items that management views as distorting the operating results of the various segments from period to period. Such adjustments include restructuring charges, stock-based compensation, bargain purchase gains, acquisition-related charges and benefits (acquisition transaction costs, acquisition obligations classified as compensation, and fair value adjustments to acquisition-related contingent consideration), tangible and intangible asset impairment charges, certain litigation costs and litigation settlements, severance charges and foreign currency transaction gains and losses on short-term intercompany balances viewed by management as individually or collectively significant.

EBIT, EBITDA and Adjusted EBITDA are all “non-GAAP financial measures” presented as supplemental measures of the Company’s performance. They are not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). We believe these measures provide additional meaningful information in evaluating our performance over time, and that the rating agencies and a number of lenders use EBITDA and similar measures for similar purposes. In addition, a measure similar to Adjusted EBITDA is used in the restrictive covenants contained in our secured credit facility. However, EBIT, EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation, or as substitutes for analysis of our results as reported under GAAP. The adjustments impacting the calculations of EBIT, EBITDA and Adjusted EBITDA may vary from period to period and in the future, we expect to incur expenses of a similar nature such as those used in calculating these measures. Our presentation of these measures should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items.

A reconciliation of consolidated net loss to each of EBIT, EBITDA and Adjusted EBITDA for the periods presented in this report are as follows (in thousands):

EBIT, EBITDA, and Adjusted EBITDA

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Net loss	$ (4,396)	$ (2,661)	65.2 %
Income tax expense	168	787	(78.7)%
Interest expense, net	473	398	18.8 %
EBIT	(3,755)	(1,476)	154.4 %
Depreciation of property, equipment and software	2,203	1,224	80.0 %
Amortization of intangible assets	862	788	9.4 %
EBITDA	(690)	536	(228.7)%
Foreign currency transaction losses (gains) on short-term intercompany balances	206	(220)	(193.6)%
Transformation, severance, and other expenses	697	674	3.4 %
Other (income) loss	(19)	12	(258.3)%
Stock-based compensation	1,384	1,945	(28.8)%
Adjusted EBITDA	$ 1,578	$ 2,947	(46.5)%
Adjusted EBITDA from continuing operations	$ 1,733	$ 3,279	(47.1)%

Transformation, severance, and other expenses for the three months ended March 31, 2019 increased compared to the same period in 2018. Transformation, severance, and other expenses fluctuate as we evolve our business or adjust our cost structure.

Stock-based compensation for the three months ended March 31, 2019 decreased compared to the same period in 2018 primarily due to lower compensation expense associated with our outstanding stock appreciation rights.

Adjusted EBITDA

We include a detailed calculation of Adjusted EBITDA by segment in Note 4 of “Notes to Consolidated Financial Statements” in Item 1 of this Form 10-Q. A summary of Adjusted EBITDA, from continuing operations by segment, for the three months ended March 31, 2019 and 2018 is as follows (in thousands):

	Three Months Ended March 31,		
	2019	2018	Change
Recovery Audit Services – Americas	$ 8,259	$ 7,079	16.7 %
Recovery Audit Services – Europe/Asia-Pacific	1,043	2,114	(50.7)%
Adjacent Services	(1,467)	(1,088)	(34.8)%
Subtotal for reportable segments	7,835	8,105	(3.3)%
Corporate Support	(6,102)	(4,826)	(26.4)%
Total	$ 1,733	$ 3,279	(47.1)%

Adjusted EBITDA for the three months ended March 31, 2019 decreased compared to the same period in 2018. Adjusted EBITDA as a percentage of revenue decreased for the quarter ended March 31, 2019 compared to the same period in 2018.

Recovery Audit Services – Americas Adjusted EBITDA increased for the three months ended March 31, 2019 compared to the same period in 2018. The increase was primarily due to increased revenues which were partially offset by the investment in our sales team.

Recovery Audit Services – Europe/Asia-Pacific Adjusted EBITDA decreased for the three months ended March 31, 2019 compared to the same period in 2018. The decrease was primarily due to changes in foreign currency exchange rates and increased bad debt expenses.

Adjacent Services Adjusted EBITDA decreased for the three months ended March 31, 2019 compared to the same period in 2018. The decrease was primarily a result of increased investment in personnel.

Corporate Support Adjusted EBITDA decreased for the three months ended March 31, 2019 compared to the same period in 2018. The decrease was primarily due to the investment in our product innovation and marketing teams.

Liquidity and Capital Resources and Financial Position

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less from the date of purchase. We place our temporary cash investments with high credit quality financial institutions. At times, certain investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit or otherwise may not be covered by FDIC insurance. Some of our cash and cash equivalents are held at banks in jurisdictions outside the U.S. that have restrictions on transferring such assets outside of these countries on a temporary or permanent basis. Such restricted net assets are not material to our consolidated net assets.

As of March 31, 2019, we had $12.2 million in cash and cash equivalents and $30.0 million of borrowings under our credit facility with Bank of America, N.A. ("BOA"). As of March 31, 2019, the limit on our credit facility was $60.0 million and, subject to compliance with the covenants under our credit facility, we had $30.0 million of availability for additional borrowings. As of March 31, 2019, the Company was in compliance with the covenants in its BOA credit facility.

The $12.2 million in cash and cash equivalents includes $0.7 million held at banks in the U.S. and the remainder held at banks in other jurisdictions, primarily, in Canada, the United Kingdom, France, Australia, India, Spain and Hong Kong. Certain foreign jurisdictions restrict the amount of cash that can be transferred to the U.S. or impose taxes and penalties on such transfers of cash. To the extent we have excess cash in foreign jurisdictions that could be used in, or is needed by, our operations in the U.S., we may incur significant penalties and/or taxes to repatriate these funds. Generally, we have not provided for deferred taxes on the undistributed earnings of international subsidiaries as we consider these earnings to be permanently reinvested. However, we do not consider the earnings of our Canadian subsidiary to be permanently reinvested, and have provided for deferred taxes relating to the potential repatriation of the funds held in Canada.

Our cash and cash equivalents as of March 31, 2019 included short-term investments of approximately $2.8 million, the majority of which was held at banks outside of the United States, primarily in Canada, Brazil and Argentina.

Operating Activities. Net cash used in operating activities was $2.4 million and $3.0 million for the three months ended March 31, 2019 and 2018, respectively. These amounts consist of two components, specifically, net loss adjusted for certain non-cash items (such as depreciation, amortization, stock-based compensation expense, non-cash interest expense, foreign currency transaction losses (gains) on short term intercompany balances and deferred income taxes) and changes in assets and liabilities, primarily working capital, as follows (in thousands):

	Three Months Ended March 31,	
	2019	**2018**
Net loss	$ (4,396)	$ (2,661)
Adjustments for certain non-cash items	5,846	4,191
	1,450	1,530
Changes in operating assets and liabilities	(3,858)	(4,499)
Net cash used in operating activities	$ (2,408)	$ (2,969)

Investing Activities. Net cash used in investing activities was $4.4 million for the three months ended March 31, 2019, and $2.5 million for the three months ended March 31, 2018, the increase is primarily due to purchases of property and equipment to upgrade the Company's technology infrastructure, computer equipment, and to develop new analytics tools.

Financing Activities. Net cash provided by financing activities was $4.9 million for the three months ended March 31, 2019, primarily resulting from $8.4 million in net borrowings offset by $2.3 million in repurchases of common stock. Net cash provided by financing activities was $1.2 million for the three months ended March 31, 2018, due to $2.3 million in proceeds from option exercises, offset by $1.1 million in restricted stock surrendered by employees to satisfy withholding taxes.

Future Cash Requirements and Restrictions

We expect our capital expenditures to continue through the remainder of 2019 at a rate slightly higher than 2018, primarily for technology infrastructure and software development. Capital expenditures are discretionary, and we currently expect to continue to make capital expenditures to enhance our information technology infrastructure (both hardware and software) and analytics tools in the foreseeable future. Should we experience a change in our operating results, we may alter our capital expenditure plan in accordance with the needs of the Company.

We believe that our existing cash and cash equivalent balances, cash provided from operations, and borrowings available under the Company's BOA credit facility will provide sufficient liquidity to meet our operating and capital expenditure needs for existing operations during the next twelve months.

Secured Credit Facility

On March 14, 2019, the Company, as co-borrower with PRGX USA, Inc. (“PRGX-USA”), a wholly owned subsidiary that is the Company’s principal domestic operating subsidiary, entered into a five-year Credit Agreement (the “BOA Credit Facility”) with Bank of America, N.A. (“BOA”), and Synovus Bank as the initial lenders thereunder, and with BOA as the letter-of-credit issuer thereunder, as the swingline lender thereunder, and as the administrative agent (the “Administrative Agent”) for the lenders from time to time party thereto. The BOA Credit Facility consists of a $60.0 million senior revolving credit facility (the “Revolver”), with a $5.0 million subfacility for the issuance of letters of credit, and a $5.0 million swingline loan subfacility (the “Swingline Loan”). The BOA Credit Facility is guaranteed by each of PRGX’s direct and indirect domestic wholly owned subsidiaries (other than PRGX-USA), except for certain immaterial domestic subsidiaries. None of PRGX’s direct or indirect foreign subsidiaries has guaranteed the BOA Credit Facility. The BOA Credit Facility is secured by substantially all of the assets of PRGX, PRGX-USA and each guarantor (including the equity interests in substantially all of the Company’s domestic subsidiaries and up to sixty-five percent (65%) of the equity interests of certain of the Company’s first-tier material foreign subsidiaries).

PRGX has borrowed $30.0 million under the Revolver, substantially all of which was used to prepay in full the approximately $29.0 million in outstanding indebtedness owed to the lenders under PRGX’s pre-existing Amended & Restated Revolving Credit Agreement, dated December 23, 2014, as amended from time to time, by and among PRGX, PRGX-USA, the several banks and other financial institutions and lenders from time to time party thereto and SunTrust Bank, in its capacity as administrative agent for the lenders (the "SunTrust Credit Facility"), and to terminate the SunTrust Credit Facility in its entirety. There were no early termination penalties associated with the termination of the SunTrust Credit Facility. The terms of the SunTrust Credit Facility are disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the Company's other SEC filings.

The BOA Credit Facility will mature on March 14, 2024. Interest is payable quarterly in arrears. There are no prepayment penalties in the event the Company elects to prepay and terminate the BOA Credit Facility prior to its scheduled maturity date, subject to breakage and redeployment costs in certain limited circumstances.

The Revolver bears interest at a rate per annum comprised of a specified index rate based on LIBOR plus an applicable interest rate margin determined under the BOA Credit Facility. For U.S. Dollar denominated loans under the Revolver, at the option of the Borrowers, such loans shall bear interest at a rate per annum equal to (x) the LIBOR daily floating rate plus an applicable interest rate margin determined under the BOA Credit Facility or (y) the base rate plus the applicable interest rate margin, each as determined under the BOA Credit Facility. Although the Company does not anticipate the need for Swingline Loans, were any Swingline Loans to be made they would bear interest at the base rate plus the applicable interest rate margin for base rate loans, each as determined under the BOA Credit Facility. The applicable interest rate margin varies from 1.50% per annum to 2.25% per annum, for LIBOR daily floating rate loans, and from 0.50% per annum to 1.25% per annum, for loans based on the base rate, and in either case depending on the Company’s consolidated leverage ratio, and is determined in accordance with a pricing grid under the BOA Credit Facility. On March 14, 2019, the closing date under the BOA Credit Facility, the applicable interest rate (inclusive of the applicable interest rate margin) for LIBOR daily floating rate loans (the only type outstanding on the closing date) was 3.89% per annum.

The BOA Credit Facility includes customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports and maintenance of existence. The negative covenants limit the ability of the Company, among other things, to incur debt, incur liens, make investments and sell assets, but does provide for certain permitted repurchases of shares of its capital stock and the declaration and payment of certain dividends on its capital stock. The financial covenants included in the BOA Credit Facility set forth a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio for the Company, each which will be tested on a quarterly basis; and with the Company having the ability to increase the maximum leverage ratio for a limited time when needed in connection with permitted acquisitions. In addition, the BOA Credit Facility includes customary events of default.

Capital Allocation

The Company allocates its capital resources to invest in the capital expenditures and operations as needed to execute its business strategy. Today, this includes our investments in our sales and marketing organization, our information technology infrastructure and talent, and our technology solutions. We also look for merger and acquisition opportunities that advance our growth strategy or accelerate our acquisition of key technologies. Finally, we look to return capital to our investors.

On February 21, 2014, the Company's Board of Directors authorized a stock repurchase program under which the Company could repurchase up to $10.0 million of the Company's common stock from time to time through March 31, 2015. Since 2014, the original authorization of the stock repurchase program, the Board of Directors has modified the program from time to time to increase the repurchase limit to $75 million and extend the expiration date to December 31, 2019. Since the February 2014 announcement of the program, the Company has repurchased 9.3 million shares of its common stock for an aggregate cost of $50.8 million. These shares were retired and accounted for as a reduction to Shareholders' Equity in the Consolidated Balance Sheet. Direct costs incurred to acquire the shares are included in the total cost of the shares. As of May 3, 2019, the Company has approximately 23.5 million shares of common stock outstanding.

The timing and amount of future repurchases, if any, will depend upon the Company’s stock price, the amount of the Company’s available cash, regulatory requirements, and other corporate considerations. The Company may initiate, suspend or discontinue purchases under the stock repurchase program at any time.

Off-Balance Sheet Arrangements

As of March 31, 2019, the Company did not have any material off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of the SEC’s Regulation S-K.

Critical Accounting Policies

We describe the Company's significant accounting policies in Note 1 of the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2018. We consider certain of these accounting policies to be "critical" to the portrayal of the Company's financial position and results of operations, as they require the application of significant judgment by management. As a result, they are subject to an inherent degree of uncertainty. We identify and discuss these "critical" accounting policies in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. There have been no significant changes in our critical accounting policies since December 31, 2018.

Management bases its estimates and judgments on historical experience and on various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, management evaluates its estimates and judgments, including those considered "critical". Management has discussed the development, selection and evaluation of accounting estimates, including those deemed "critical," and the associated disclosures in this Quarterly Report on Form 10-Q with the Audit Committee of the Board of Directors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk. Our reporting currency is the U.S. dollar, although we transact business in various foreign locations and currencies. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we provide our services. Our operating results are exposed to changes in exchange rates between the U.S. dollar and the currencies of the other countries in which we operate. When the U.S. dollar strengthens against other currencies, the translated value of foreign functional currency results in lower net income. When the U.S. dollar weakens, the translated value of the foreign functional currency results in higher net income. We therefore are adversely affected by a stronger dollar relative to major currencies worldwide. During the three months ended March 31, 2019, we recognized $1.9 million of operating income from operations located outside the U.S., virtually all of which was originally accounted for in currencies other than the U.S. dollar. Upon translation into U.S. dollars, such operating income would increase or decrease, assuming a hypothetical 10% change in weighted-average foreign currency exchange rates against the U.S. dollar, by approximately $0.2 million for the three months ended March 31, 2019. We currently do not have any arrangements in place to hedge our foreign currency risk.

Interest Rate Risk. Our interest income and expense are sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on our cash equivalents as well as interest paid on amounts outstanding under our Bank of America ("BOA") credit facility, if any. As of March 31, 2019, we had $30.0 million of borrowing availability under our BOA revolving credit facility and $30.0 million borrowed under the BOA credit facility as of that date. The Revolver bears interest under the BOA Credit Facility at a rate per annum comprised of a specified index rate based on LIBOR plus an applicable interest rate margin determined under the BOA Credit Facility. The loan shall bear interest under the BOA Credit Facility at a rate per annum equal to (x) the LIBOR daily floating rate plus an applicable interest rate margin determined under the BOA Credit Facility or (y) the base rate plus the applicable interest rate margin, each as determined under the BOA Credit Facility. Although the Company does not anticipate the need for Swingline Loans, were any Swingline Loans to be made they would bear interest at the base rate plus the applicable interest rate margin for base rate loans, each as determined under the BOA Credit Facility. The applicable interest rate margin varies from 1.50% per annum to 2.25% per annum, for LIBOR daily floating rate loans, and from 0.50% per annum to 1.25% per annum, for loans based on the base rate, and in either case depending on the Company’s consolidated leverage ratio, and is determined in accordance with a pricing grid under the BOA Credit Facility. Assuming full utilization of the revolving credit facility, a hypothetical 100 basis point change in interest rates applicable to the revolver would result in an approximate $0.6 million change in annual pre-tax income.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2019.

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to a variety of legal proceedings arising in the normal course of business. While the results of these proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will 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 in the risks facing the Company as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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

The Company's current credit facility prohibits the payment of any cash dividends on the Company's capital stock.

The following table sets forth information regarding the purchases of the Company's equity securities made by or on behalf of the Company or any affiliated purchaser (as defined in Exchange Act Rule 10b-18) during the three months ended March 31, 2019.

2019	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(millions of dollars)
January 1 - January 31	189,057	$ 9.11	189,057	$ —
February 1 - February 28	55,708	$ 9.25	54,698	$ —
March 1 - March 31	60,571	$ 8.15	—	$ —
	305,336	$ 8.95	243,755	$ 24.2

(a) Amount includes shares surrendered by employees to satisfy tax withholding obligations resulting from restricted stock awards that vested during the three months ended March 31, 2019.

(b) On February 21, 2014, our Board of Directors authorized a stock repurchase program under which we could repurchase up to $10.0 million of our common stock from time to time through March 31, 2015. Since 2014, the original authorization of the stock repurchase program, the Board of Directors has modified the program from time to time to increase the repurchase limit to $75 million and extend the expiration date to December 31, 2019. The timing and amount of repurchases, if any, will depend upon the Company's stock price, economic and market conditions, regulatory requirements, and other corporate considerations. The Company may initiate, suspend or discontinue purchases under the stock repurchase program at any time.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Restated Articles of Incorporation of the Registrant, as amended and corrected through August 11, 2006 (restated solely for the purpose of filing with the Commission) (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on August 17, 2006).
3.1.1	Articles of Amendment of the Registrant effective January 20, 2010 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on January 25, 2010).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on December 11, 2007).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-K for the year ended December 31, 2001).
4.2	See Restated Articles of Incorporation and Bylaws of the Registrant, filed as Exhibits 3.1 and 3.2, respectively.
10.1	Credit Agreement dated as of March 14, 2019 among PRGX Global, Inc. and PRGX USA, Inc., as borrowers, Bank of America, N.A. and Synovus Bank, as lenders, and Bank of America, N.A., as administrative agent, letter-of-credit issuer, and swingline lender (incorporated by reference to Exhibit 10.52 to the Registrant's Form 10-K for the year ended December 31, 2018).
10.2	Security and Pledge Agreement dated as of March 14, 2019 among PRGX Global, Inc., PRGX USA, Inc., and the other direct and indirect subsidiaries of PRGX Global, Inc. signatory thereto, as grantors, in favor of Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.53 to the Registrant's Form 10-K for the year ended December 31, 2018).
10.3	Employment Agreement dated January 3, 2019, by and between Kurt J. Abkemeier and the Company (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on January 7, 2019).
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended March 31, 2019.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended March 31, 2019.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, for the quarter ended March 31, 2019.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

		PRGX GLOBAL, INC.
May 9, 2019	By:	/s/ Ronald E. Stewart
		Ronald E. Stewart *President, Chief Executive Officer, Director* *(Principal Executive Officer)*
May 9, 2019	By:	/s/ Kurt J. Abkemeier
		Kurt J. Abkemeier *Chief Financial Officer and Treasurer* *(Principal Financial Officer)*

EXHIBIT 31.1

CERTIFICATION

I, Ronald E. Stewart, certify that:

1. I have reviewed this Form 10-Q of PRGX Global, 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 15d-15(f)) for the registrant and have:

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

(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; and

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

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

5. The registrant's other certifying officer 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.

May 9, 2019

By: /s/ Ronald E. Stewart

Ronald E. Stewart

President, Chief Executive Officer, Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Kurt J. Abkemeier, certify that:

1. I have reviewed this Form 10-Q of PRGX Global, 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 15d-15(f)) for the registrant and have:

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

(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; and

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

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

5. The registrant's other certifying officer 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.

May 9, 2019

By: /s/ Kurt J. Abkemeier

Kurt J. Abkemeier

Chief Financial Officer and Treasurer

(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PRGX Global, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald E. Stewart, President and Chief Executive Officer of the Company and I, Kurt J. Abkemeier, Chief Financial Officer and Treasurer, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of the undersigned's knowledge: (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2019

By: /s/ Ronald E. Stewart
Ronald E. Stewart
President, Chief Executive Officer, Director
(Principal Executive Officer)

May 9, 2019

By: /s/ Kurt J. Abkemeier
Kurt J. Abkemeier
Chief Financial Officer and Treasurer
(Principal Financial Officer)