August 14, 2023

GEE Group

GEE Group Announces Results for the Fiscal 2023 Third Quarter and YTD

JACKSONVILLE, FL / ACCESSWIRE / August 14, 2023/ GEE Group Inc. (NYSE American:JOB) together with its subsidiaries (collectively referred to as the "Company", "GEE Group", "us", "our", or "we"), a provider of professional staffing services and human resource solutions, today announced consolidated results for the fiscal 2023 third quarter and nine months ended June 30, 2023. All amounts presented herein are consolidated or derived from consolidated amounts, and are rounded and represent approximations, accordingly.

2023 Third Quarter and YTD Highlights

- Professional contract services revenues for the three and nine-month periods ended June 30, 2023 were $29.8 million and $92.3 million, up $0.8 million and $0.7 million, respectively, compared with the same fiscal 2022 periods. Excluding the effects of certain discreet (non-recurring) projects for professional staffing support provided to former COVID-19 response vaccination and testing facilities during the nine-month fiscal 2022 period, remaining professional contract services revenues increased by $3.9 million, or 5%, in the comparable fiscal 2023 period. Information Technology (IT) has led our professional contract services revenue growth this year at 2% and 9%, respectively, during the three-month and nine-month periods ended June 30, 2023, over prior comparable periods.
- Direct hire placement revenues for the three and nine-months ended June 30, 2023 were $5.2 million and $15.8 million, as compared with $8.0 million and $20.1 million for the three and nine-months ended June 30, 2022, respectively. Demand for the Company's direct hire placement services was significantly higher during fiscal 2022, primarily due to a stronger economy driven by a continued "post COVID-19 bounce" in employment. The result was a more favorable labor market for permanent, full-time hires resulting in a record high for direct hire placement revenues in fiscal 2022.
- Consolidated revenues for the three and nine-month periods ended June 30, 2023 were $38.2 million and $118.2 million, down 7% and 4%, respectively, over the comparable fiscal 2022 periods. The period over period declines can be attributed primarily to 2022's record performance in direct hire placement revenues and more robust economic and labor conditions. Despite some potential headwinds, we remain cautiously optimistic about our overall revenue generation capability for the remainder of fiscal 2023, based on recent predictions regarding the state of the labor market and macroeconomic conditions.
- Gross profits and gross margins were $13.7 million, and 35.8%, and $41.3 million, and 34.9%, for the three and nine-month periods ended June 30, 2023, respectively, compared to $16.5 million, and 40.1%, and $46.6 million, and 37.7%, respectively, for the comparable fiscal 2022 periods. In addition to the effects of record high direct hire placement business in fiscal 2022 (which has 100% gross margin and increases

overall gross margin) and fiscal 2022's non-recurring COVID-19 response projects, the decreases in gross profit and gross margin are attributable, in part, to increases in contractor pay associated with recent inflation resulting in some spread compression within the Professional Services Segment. The Company has stepped-up counter-inflationary measures, including increases in mark-ups, bill rates and spreads in order to mitigate recent margin compression. GEE Group's current gross margin percentages remain relatively high and very competitive, as compared to its peer group.

- Selling, general and administrative expenses ("SG&A") for the three and nine-month periods ended June 30, 2023 were $11.8 million and $36.3 million, down 9% and 3%, respectively, compared with the same fiscal 2022 periods. SG&A for the three-month period ended June 30, 2023, as a percentage of revenues, was 30.8% compared to 31.3% for the three-month period ended June 30, 2022. In the latter part of February and in March 2023, the Company implemented certain cost reductions with estimated annual savings of approximately $4.0 million, which are beginning to have a positive impact on results. The Company monitors operating costs including the impacts of inflation with a view towards identifying and taking advantage of potential cost reductions on a routine basis.
- Net income for the three and nine-month periods ended June 30, 2023 was $7.9 million, or $0.07 per diluted share, and $9.2 million, or $0.08 per diluted share, as compared with net income of $2.6 million, or $0.02 per diluted share, and $20.4 million, or $0.18 per diluted share for the three and nine-month ended June 30, 2022. The quarter over quarter increase is mainly attributable to the deferred tax benefit of $6.8 million. Excluding this item, the decrease of $1.5 million is consistent with the decrease in direct hire placement revenues from 2022 record highs, as offset by decreases in SG&A as mentioned above. The $11.2 million decrease in net income for the nine-month period ended June 30, 2023 compared to the nine-month period ended June 30, 2022, is mainly due to gains of $16.8 million from extinguishment of the Company's remaining PPP loans, offset by a $2.2 million non-cash goodwill impairment charge, included in net income for the nine months ended June 30, 2022. Additionally, the deferred tax benefit of $6.6 million and $6.8 million, during the three and nine-month periods ended June 30, 2023, respectively, accounted for the large increase in quarter over quarter net income, and partially offset the decrease in the nine-month period comparisons of net income. Excluding these items, the remaining net decrease is consistent with the declines in gross profit and gross margins for the three and nine-month periods ended June 30, 2023, from their record levels during the comparable fiscal 2022 periods, as explained above. Also as discussed above, our recent price increases and targeted cost reductions are expected to have positive effects on results during the remainder of fiscal 2023.
- Adjusted EBITDA (a non-GAAP financial measure) for the three and nine-month periods ended June 30, 2023 was $2.1 million and $5.8 million, respectively, as compared with $4.2 million and $11.5 million, respectively, from comparable fiscal 2022 periods. As discussed above, record high direct hire revenues and gross profit in fiscal 2022, and recent inflation in wages and other costs were the primary drivers of the decline in earnings during the three-month and nine-month periods ended June 30, 2023, compared with comparable prior periods. The Company expects recent price increases and targeted cost reductions to have positive effects on results during the remainder of fiscal 2023. Reconciliations of net income to non-GAAP Adjusted EBITDA are attached hereto.
- Adjusted free cash flow (a non-GAAP financial measure) YTD of fiscal year 2023 was

$4.3 million, as compared with $9.5 million for the same periods of fiscal 2022. Adjusted free cash flow has been adjusted to exclude payments of the two installments of deferred FICA taxes from our 2020 fiscal year, of $1.8 million during each period under the CARES Act. Higher adjusted free cash flow YTD during fiscal 2022, is largely the result of fiscal 2022's extraordinary performance. Reconciliations of cash flow from operating activities to non-GAAP adjusted free cash flow are attached hereto.

- As of June 30, 2023, cash balance of $20.7 million (up $1.9 million since September 30, 2022), borrowing availability under GEE Group's bank ABL credit facility was $12.4 million and net working capital of $31.3 million. As of June 30, 2023, the Company had a current ratio of 4.1, shareholders' equity of $110.4 million, and zero long term debt.
- Net book value per share and net tangible book value per share were $0.96 and $0.35, respectively, as of June 30, 2023, up $0.08 or 9%, and $0.10 or 40%, in comparison to those as of September 30, 2022.

Management Comments

Derek E. Dewan, Chairman and Chief Executive Officer of GEE Group, commented, "We are once again pleased with our results for the third quarter and year to date for fiscal 2023 in light of current economic conditions. We are especially pleased with revenue performance in our professional contract services markets, led by IT, which have grown significantly so far in 2023, despite some softness in demand that lingers due to unknowns about the economy and labor markets. We continue to hold the same cautious optimism for future profitable organic growth, increased earnings and enhanced free cash flow for the remainder of fiscal 2023 and as we move into fiscal 2024. We have begun to see the benefit and positive impact from the cost-saving measures we implemented in late February and March on the Company's financial results. Our capital allocation strategy now includes the $20 million Share Repurchase Plan authorized by our Board of Directors to repurchase GEE Group Inc. common shares. We already have repurchased nearly 1.5 million shares, or just over 1%, of our outstanding shares since May. Furthermore, as long as our shares remain as significantly undervalued as they are now, we intend to keep repurchasing them. In addition, we are constantly on the lookout for opportunities to augment internal growth with strategic acquisitions that are appropriately priced so that they are accretive to earnings. The maximization of shareholder value is paramount to our growth strategy."

Mr. Dewan added, "Fiscal 2023 looks promising so far despite the current and potential headwinds that lie ahead. We intend to continue our philosophy and strategy of taking advantage of any and all opportunities we can to help our clients meet their human resource needs as we all continue to navigate this unprecedented time of socioeconomic change. Our people are the best in the business at identifying, recruiting and placing optimal talent available to meet our clients' unique and ever-evolving needs. The flexible, on-demand workforce needs of corporate America remain strong and are growing and changing daily. These dynamic changes in how America works are beneficial our Company and the staffing industry as a whole."

Additional Information to Consider in Conjunction with the Press Release

The aforementioned 2023 fiscal third quarter highlights and results should be read in conjunction with all of the financial and other information included in GEE Group's most recent Quarterly Report on Form 10-Q, and its most recent Annual Report on Form 10-K, as well as any applicable recent Current Reports on Forms 8-K and 8-K/A, Registration

Statements and Amendments on Forms S-1 and S-3, and Information Statements on Schedules 14A and 14C, filed with the SEC. The discussion of financial results in this press release, and the information included herein include the use of non-GAAP financial measures and related schedules attached hereto which reconcile the related items prescribed by accounting principles generally accepted in the United States ("GAAP" or "U.S GAAP") to the non-GAAP financial information also are presented herein. These non-GAAP financial measures are not a substitute for the comparable measures prescribed by GAAP as further discussed below in this press release. See "Use of Non-GAAP Financial Measures" and the reconciliations of Non-GAAP Financial Measures used in this press release with the Company's corresponding financial measures presented in accordance with U.S. GAAP below.

Financial information provided in this press release also may consist of or refer to estimates, projected or pro forma financial information and certain assumptions that are considered forward looking statements, which are predictive in nature and depend on future events, and any such predicted or projected financial or other results may not be realized nor are they guarantees of future performance. See "Forward-Looking Statements Safe Harbor" below which incorporates "Risk Factors" related to the COVID-19 pandemic and other potential items which may possibly have a negative effect on the Company's business.

Use of Non-GAAP Financial Measures

The Company presents and highlights certain non-GAAP financial measures in this press release, including Adjusted Net Income, EBITDA, Adjusted EBITDA and Free Cash Flow. Management and the board of directors use and refer to these non-GAAP financial measures internally as a supplement to financial information presented in accordance with U.S. GAAP. Non-GAAP financial measures are used for purposes of evaluating operating performance, financial planning purposes, establishing operational and budgetary goals, setting financial goals for incentive compensation plans, analysis of debt service capacity, capital expenditure planning and determining working capital needs. The Company also believes that these non-GAAP financial measures also are considered useful by investors.

Non-GAAP Adjusted Net Income is defined as Net Income adjusted for non-cash stock compensation expenses, acquisition, integration, restructuring and other non-recurring expenses, capital markets-related expenses, gains or losses on extinguishment of debt and noncash goodwill impairment charges.

Non-GAAP EBITDA is defined as net income before interest, taxes, depreciation and amortization. Non-GAAP adjusted EBITDA is defined as EBITDA, adjusted for the same items used to derive non-GAAP adjusted net income (loss). Non-GAAP free cash flow is defined as cash flow from operating activities, less capital expenditures. Non-GAAP adjusted net income, EBITDA, adjusted EBITDA and free cash flow are not terms proscribed or defined by GAAP and, as a result, the Company's measure of them may not be comparable to similarly titled measures used by other companies. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures discussed above should be considered in addition to, and not as substitutes for, nor as being superior to net income reported in the consolidated statements of income, cash and cash flows reported in the consolidated statements of cash flows, or other measures of financial performance reflected in the Company's consolidated financial statements prepared in accordance with U.S. GAAP included in Forms 10-Q and 10-K filed with the SEC, which should be read and referred to in order to obtain a comprehensive and thorough understanding of the Company's financial results.

The reconciliations of: (1) net income to non-GAAP adjusted net income, (2) net income to non-GAAP EBITDA and adjusted EBITDA, and (3) net cash from operating activities to non-GAAP adjusted free cash flow referred to in the highlights or elsewhere in this press release are provided in the following schedules that also form a part of this press release.

Reconciliation of Net Income to
Non-GAAP Adjusted Net Income
Three Month Periods Ended June 30,
(In thousands)

	2023	2022
Net income	$ 7,876	$ 2,633
Non-cash stock compensation	176	169
Severance agreement	-	328
Acquisition, integration & restructuring	21	12
Non-GAAP adjusted net income	$ 8,073	$ 3,142

Reconciliation of Net Income to
Non-GAAP Adjusted Net Income
Nine Month Periods Ended June 30,
(In thousands)

	2023	2022
Net income	$ 9,188	$ 20,388
Non-cash stock compensation	676	468
Gains on PPP loan forgiveness	-	(16,773)
Non-cash goodwill impairment charge	-	2,150
Settlement of legal matter	-	975
Severance agreements	-	838
Acquisition, integration & restructuring	130	58
Non-GAAP adjusted net income	$ 9,994	$ 8,104

Reconciliation of Net Income to
Non-GAAP EBITDA and Adjusted EBITDA
Three Month Periods Ended June 30,
(In thousands)

	2023	2022
Net income	$ 7,876	$ 2,633
Interest expense	119	96
Interest income	(159)	-
Income taxes	(6,752)	96
Depreciation	96	96
Amortization	720	720
Non-GAAP EBITDA	1,900	3,641
Non-cash stock compensation	176	169
Severance agreement	-	328
Acquisition, integration & restructuring	21	12
Non-GAAP adjusted EBITDA	$ 2,097	$ 4,150

Reconciliation of Net Income to
Non-GAAP EBITDA and Adjusted EBITDA
Nine Month Periods Ended June 30,
(In thousands)

	2023	2022
Net income	$ 9,188	$ 20,388
Interest expense	265	301
Interest income	(292)	-
Income taxes	(6,621)	59
Gains on PPP loan forgiveness	-	(16,773)
Depreciation	295	276
Amortization	2,159	2,749
Non-cash goodwill impairment charge	-	2,150
Non-GAAP EBITDA	4,994	9,150
Non-cash stock compensation	676	468
Settlement of legal matter	-	975
Severance agreements	-	838
Acquisition, integration & restructuring	130	58
Non-GAAP adjusted EBITDA	$ 5,800	$ 11,489

Reconciliation of Net Cash from Operating Activities to
Non-GAAP Free Cash Flow and Adjusted Free Cash Flow
Nine Month Periods Ended June 30,
(In thousands)

	2023	2022
Net cash provided by operating activities	$ 2,606	$ 7,931
Acquisition of property and equipment	(104)	(225)
Non-GAAP free cash flow	2,502	7,706
Deferred FICA Payments under CARES Act	1,827	1,827
Non-GAAP adjusted free cash flow	$ 4,329	$ 9,533

GEE GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(Amounts in thousands except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
NET REVENUES:				
Contract staffing services	$ 32,980	$ 33,087	$ 102,357	$ 103,516
Direct hire placement services	5,191	8,026	15,821	20,073
NET REVENUES	38,171	41,113	118,178	123,589
Cost of contract services	24,518	24,612	76,918	76,992
GROSS PROFIT	13,653	16,501	41,260	46,597
Selling, general and administrative expenses	11,753	12,860	36,266	37,447
Depreciation expense	96	96	295	276
Amortization of intangible assets	720	720	2,159	2,749
Goodwill impairment charge	-	-	-	2,150
INCOME FROM OPERATIONS	1,084	2,825	2,540	3,975
Gain on extinguishment of debt	-	-	-	16,773
Interest expense	(119)	(96)	(265)	(301)
Interest income	159	-	292	-
INCOME BEFORE INCOME TAX PROVISION	1,124	2,729	2,567	20,447
Provision for income tax expense (benefit)	(6,752)	96	(6,621)	59
NET INCOME	$ 7,876	$ 2,633	$ 9,188	$ 20,388
BASIC EARNINGS PER SHARE	$ 0.07	$ 0.02	$ 0.08	$ 0.18
DILUTED EARNINGS PER SHARE	$ 0.07	$ 0.02	$ 0.08	$ 0.18
WEIGHTED AVERAGE SHARES OUTSTANDING				
BASIC	114,250	114,100	114,384	114,100
DILUTED	114,984	115,642	115,145	115,609

GEE GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(Amounts in thousands)

	June 30, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 20,726	$ 18,848
Accounts receivable, less allowances ($ and $, respectively)	19,943	22,770
Prepaid expenses and other current assets	709	604
Total current assets	41,379	42,222
Property and equipment, net	950	1,140
Goodwill	61,293	61,293
Other intangible assets, net	9,126	11,285
Right-of-use assets	3,994	2,830
Deferred tax assets, net	6,321	-
Other long-term assets	636	783
TOTAL ASSETS	$ 123,700	$ 119,554
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,861	$ 2,958
Accrued compensation	4,954	5,751
Current operating lease liabilities	1,531	1,333
Other current liabilities	738	5,538
Total current liabilities	10,083	15,580
Deferred taxes	-	528
Noncurrent operating lease liabilities	2,818	1,889
Other long-term liabilities	402	555
Total liabilities	13,304	18,552
Commitments and contingencies (Note 13)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; authorized - 200,000 shares; 114,600 shares issued and 113,730 shares outstanding at June 30, 2023, and 114,450 shares issued and outstanding at September 30, 2022	112,727	112,051
Accumulated deficit	(1,859)	(11,049)
Treasury stock, at cost - 870 shares at June 30, 2023	(471)	-
Total shareholders' equity	110,396	101,002
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 123,700	$ 119,554

Forward-looking Statements Safe Harbor

In addition to historical information, this press release contains statements relating to possible future events and/or the Company's future results (including results of business operations, certain projections, future financial condition, pro forma financial information, and business trends and prospects) that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995 and are subject to the "safe harbor" created by those sections. The statements made in this press release that are not historical facts are forward-looking statements that are predictive in nature and depend upon or refer to future events. These forward-looking statements include without limitation information relating to our intended share repurchases, the amount and timing of share repurchases, the possibility that the share repurchase program may be discontinued or suspended, anticipated cash flow generation and expected shareholder benefits. Such forward-looking statements often contain, or are prefaced by, words such as "will", "may," "plans," "expects," "anticipates," "projects," "predicts," "pro forma", "estimates," "aims," "believes," "hopes," "potential," "intends," "suggests," "appears," "seeks," or variations of such words or similar words and expressions. Forward-looking statements are not guarantees of future performance, are based on certain assumptions, and are subject to various known risks and uncertainties, many of which are beyond the Company's control, and cannot be predicted or quantified and, consequently, as a result of a number of factors, the Company's actual results could differ materially from those expressed or implied by such forward-looking statements. The international pandemic, the "Novel Coronavirus" ("COVID"-19), has been detrimental and may continue to negatively impact and disrupt the Company's business operations. The health outbreak has caused a significant negative effect on the global economy, employment in general including the lack of demand for the Company's services which was exacerbated by government and client directed "quarantines", "remote working", "shut-downs" and "social distancing". There is no assurance that conditions will not persist or worsen and further negatively impact GEE Group. Certain other factors that might cause the Company's actual results to differ materially from those in the forward-looking statements include, without limitation: (i) the loss, default or bankruptcy of one or more customers; (ii) changes in general, regional, national or international economic conditions; (iii) an act of war or terrorism, industrial accidents, or cyber security breach that disrupts business; (iv) changes in the law and regulations; (v) the effect of liabilities and other claims asserted against the Company including the failure to repay indebtedness or comply with lender covenants including the lack of liquidity to support business operations and the inability to refinance debt, failure to obtain necessary financing or the inability to access the capital markets and/or obtain alternative sources of capital; (vi) changes in the size and nature of the Company's competition; (vii) the loss of one or more key executives; (viii) increased credit risk from customers; (ix) the Company's failure to grow internally or by acquisition or the failure to successfully integrate acquisitions; (x) the Company's failure to improve operating margins and realize cost efficiencies and economies of scale; (xi) the Company's failure to attract, hire and retain quality recruiters, account managers and salesmen; (xii) the Company's failure to recruit qualified candidates to place at customers for contract or full-time hire; (xiii) the adverse impact of geopolitical events, government mandates, natural disasters or health crises, force majeure occurrences, global pandemics such as the deadly "coronavirus" (COVID-19) or other harmful viral or non-viral rapidly spreading diseases and such other factors as set forth under the heading "Forward-Looking Statements" in the Company's annual reports on Form 10-K, its quarterly reports on Form 10-Q and in the Company's other filings with the Securities and Exchange Commission (SEC). More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the SEC. Investors and security holders are urged to read these documents free of charge on the SEC's web site at http://www.sec.gov. The Company is under no obligation to (and expressly disclaims any such obligation to) and does not intend to publicly update, revise, or alter its forward-looking statements whether as a result of new information, future events or otherwise.

About GEE Group

GEE Group Inc. is a provider of specialized staffing solutions and is the successor to employment offices doing business since 1893. The Company operates in two industry segments, providing professional staffing services and solutions in the information technology, engineering, finance and accounting specialties and commercial staffing services through the names of Access Data Consulting, Agile Resources, Ashley Ellis, General Employment, Omni-One, Paladin Consulting and Triad. Also, in the healthcare sector, GEE Group, through its Scribe Solutions brand, staffs medical scribes who assist physicians in emergency departments of hospitals and in medical practices by providing required documentation for patient care in connection with electronic medical records (EMR). Additionally, the Company provides contract and direct hire professional staffing services through the following SNI brands: Accounting Now®, SNI Technology®, Legal Now®, SNI Financial®, Staffing Now®, SNI Energy®, and SNI Certes.

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