



***GEE Group Inc. (NYSE American: JOB) Fiscal Third Quarter Earnings and 2022 Update
Webcast Conference Call: Prepared Remarks***

Tuesday, August 16, 2022, 11:00 AM EDT

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Company Participants

Derek Dewan – Chairman and Chief Executive Officer

Kim Thorpe – Senior Vice President & Chief Financial Officer

Intro – Derek Dewan

Hello, and welcome to the GEE Group fiscal third quarter ended June 30, 2022 earnings and update webcast conference call. I'm Derek Dewan, Chairman and Chief Executive Officer of GEE Group. I will be hosting today's call. Joining me as a co-presenter is Kim Thorpe, our Senior Vice President and Chief Financial Officer. Thank you for joining us today.

Derek Dewan

It is our pleasure to share with you GEE Group's results for the fiscal 2022 third quarter ended June 30, 2022, and provide you with our outlook for the final quarter of our fiscal 2022 year and foreseeable future. Some comments Kim and I will make may be considered forward looking, including predictions and estimates about our future performance. These represent our current judgments of what the future holds and are subject to risks and uncertainties that actual results may differ materially from our forward-looking statements. These risks and uncertainties are described in Monday's earnings press release and our most recent Form 10-Q and other SEC filings under the captions, "Cautionary Statement Regarding Forward Looking Statements" and, "Forward-looking Statements Safe Harbor". We assume no obligation to update statements made on today's call.

During this presentation, we also will talk about some non-GAAP financial measures. Reconciliations and explanations of these measures are included in the earnings press release. Our presentation of financial amounts, and related amounts including growth rates, margins and trends



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are rounded, or based upon rounded amounts, for purposes of this call and all amounts, percentages and related items presented are approximations, accordingly. For your convenience, our prepared remarks for today's call are available in the Investor Center of our website, www.geegroup.com.

With that business behind us, I am very happy to report that we once again achieved outstanding results, beginning with net income of \$2.6 million, or \$0.02 per diluted share, for the third quarter of our 2022 fiscal year, and for the nine-month periods ended June 30, 2022, net income of \$20.4 million, or \$0.18 per diluted share. Consolidated revenues for the three and nine-month periods ended June 30, 2022 were \$41.1 million and \$123.6 million, up 8% and 15%, respectively, over the comparable fiscal 2021 periods. And, gross profits and gross margins were \$16.5 million and \$46.6 million, and 40.1% and 37.7%, respectively. Our non-GAAP adjusted EBITDA for the 2022 fiscal third quarter was \$4.1 million, up \$1.0 million, or 34%, over the comparable prior fiscal year quarter, and represents a 10% margin to revenue. Non-GAAP adjusted EBITDA for the nine-month periods ended June 30, 2022 was \$11.5 million, up \$2.8 million, or 32%, compared to the nine-month periods ended June 30, 2021.

Before I turn it over to Kim, I want to say again how very proud I am of our dedicated and talented people. They work extremely hard every day to insure that our clients get the very best service. This is one of, if not, the most important key to our success.

At this time, I'll turn the call over to our CFO, Kim Thorpe, who will further elaborate on our results for the 2022 fiscal third quarter. Kim.

Kim Thorpe

Thank you, Derek, and good morning. As Derek mentioned, revenues for the three and nine-month periods ended June 30, 2022, were \$41.1 million, and \$123.6 million, up 8% and 15%, respectively, over the comparable fiscal 2021 periods. Contract staffing services contributed \$33.1



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million and \$103.5 million, or 80% and 84% of revenues, respectively, and direct placement services contributed \$8.0 million and \$20.1 million, or 20% and 16% of revenues, respectively, for the three and nine-month periods ended June 30, 2022.

Contract staffing services revenues increased by \$0.6 million and \$8.7 million, or 2% and 9%, for the three and nine-months ended June 30, 2022, respectively. These increases were mainly attributable to increased demand in our professional contract services markets as the negative effects of COVID-19 lessen and the U.S. economy and workforce continue on recovery paths toward pre-COVID-19 conditions.

Direct hire placement revenues for the three and nine-months ended June 30, 2022, were \$8.0 million and \$20.1 million, up 45% and 60%, respectively, over the comparable fiscal 2021 periods. Direct hire revenues for Q3 2022 set a new high for us, and the first nine months of fiscal 2022 already have surpassed the entire 2021 fiscal year.

Total revenues from our professional staffing services segment, which includes contract staffing and direct hire placement services, were \$37.0 million and \$111.6 million, and represented 90% of total revenue for both the three and nine-month periods ended June 30, 2022, respectively. Professional staffing services segment revenues were up 8% and 18%, from the comparable fiscal 2021 periods, respectively. Our IT services end markets at Agile Resources, Access Data Consulting, Paladin Consulting and SNIT accounted for 48% of our professional services business segment revenues for the nine-months ended June 30, 2022 and were up 27% year-over-year. The other professional services end markets (Finance, Accounting, Administrative & Office, Engineering, Healthcare, and other) accounted for the remaining 52% of professional services business revenues for the nine-months ended June 30, 2022 and were up 14% year-over-year.



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Industrial staffing services revenues were \$4.1 million and \$11.9 million for the three and nine-month periods ended June 30, 2022, respectively, compared with \$3.8 million and \$12.9 million for the three and nine-month periods ended June 30, 2021. We continued to experience some pandemic-related conditions associated with the delta and then omicron variants in our Ohio markets in earlier quarters of the fiscal year, including school and business closings and interruptions which were reminiscent in some respects of the early COVID-19 pandemic.

Consolidated gross profits and margins were \$16.5 million, or 40.1%, and \$46.6 million, or 37.7%, for the three and nine-month periods ended June 30, 2022, both up substantially from comparable fiscal 2021 periods. Our consolidated gross margins for the last five consecutive quarters have been above 36%. The overall improvement in the Company's combined gross profit margin is largely due to substantial increases in our direct hire placements, which have 100% gross margins.

Selling, general and administrative expenses (SG&A) for the three and nine-month periods ended June 30, 2022, increased \$1.7 million and \$7.7 million, respectively. SG&A expenses were 31.3% and 30.3% of revenues for the three and nine-month periods ended June 30, 2022, respectively, compared with 29.2% and 27.7% for the three and nine-month periods ended June 30, 2021. In addition to overall growth of the business, resulting in additional incentive compensation and bonuses, the increases in SG&A expenses and ratios, were affected by \$800 thousand in charges associated with two former positions that were eliminated; \$300 thousand during the three-month period ended June 30, 2022, and \$500 thousand during an earlier quarter in fiscal 2022. In addition, a \$400 thousand increase in bad debt expense associated with one of the Company's industrial staffing services customers and the \$1.0 million charge for the settlement of a legal matter, added to our SG&A in earlier quarters of fiscal 2022.



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As Derek mentioned in his remarks, we achieved net income for the three and nine-month periods ended June 30, 2022, of \$2.6 million, or \$0.02 per diluted share, and \$20.4 million, or \$0.18 per diluted share, as compared with net losses of \$937 thousand, or \$(0.01) per diluted share, and \$(3.0) million, or \$(0.07) per diluted share for the three and nine-month periods ended June 30, 2021. Non-GAAP adjusted net income and diluted EPS, excluding the effects of non-operating and/or non-recurring items, as outlined in the earnings press release, were \$3.1 million, or \$0.03 per diluted share, and \$8.1 million, or \$0.07 per diluted share, respectively, for the three and nine-month periods ended June 30, 2022.

Adjusted EBITDA, which is a non-GAAP financial measure, was \$4.1 million for the 2022 fiscal third quarter, up \$1.0 million, or 34%, over the comparable prior fiscal year quarter. Non-GAAP adjusted EBITDA for the nine-month periods ended June 30, 2022 was \$11.5 million, up \$2.8 million, or 32%, compared to the nine-month periods ended June 30, 2021.

As we've commented in prior quarters, assuming the spread, persistence and severity of COVID 19 continue to lessen, we believe these types of positive results are sustainable. A reconciliation of GEE Group's GAAP net income to the Company's non-GAAP adjusted EBITDA, and reconciliations of other non-GAAP measures with their GAAP counterparts, discussed today can be found supplemental schedules in our earnings press release.

To conclude, our current or working capital ratio at June 30, 2022 was 3.0 to 1. Consolidated accounts receivable, net of allowances for doubtful accounts, at the end of the 2022 fiscal third quarter were \$21.2 million, and our days' sales outstanding performance metric, or DSO, was approximately 42 days. We reported positive cash flow from operating activities of \$3.4 million for the 2022 fiscal third quarter and \$7.8 million, year to date, and non-GAAP free cash flow of \$3.4 million and \$7.6 million, respectively. Our cash flow from operations and free cash flow for



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the nine-month period ended June 30, 2022 were reduced, in part, by payment of the first of two equal instalments of deferred FICA obligations allowed under the CARES Act of \$1.8 million in December 2021, and payment of \$1.0 million in settlement of old and isolated legal matter made in April 2022. Our liquidity position is strong and we have no outstanding debt. Our net book value per share was \$0.89 per share at June 30, 2022, and our net tangible book value per share was \$0.25.

Now, I'll turn the call back over to Derek.

Derek Dewan

Thank you, Kim. The 2022 fiscal third quarter was our fourth consecutive full quarter of strong performance since de-leveraging the Company. Having consistently achieved profitable growth, and higher margins, earnings and free cash flow for the last four quarters, we now have a positive track record, as well as positive momentum for the future. At June 30, 2022, the Company had over \$17 million in cash and another \$14 million in availability under GEE Group's bank ABL facility. GEE Group's prospects today for future profitable growth have never been better. Absent the onset of a recession or other unforeseen events, we anticipate outstanding results for our final quarter and all of our 2022 fiscal year and beyond.

Before we pause to take your questions, I want to again say a special thank you to all our wonderful people for their professionalism, hard work and dedication. Without them, we could not have accomplished all the good things we have shared with you today.

Now, Kim and I would be happy to answer your questions. Please ask just one question and rejoin the queue with a follow-up, as needed. If there's time, we'll come back to you for additional questions.



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Question-and-Answer Session to Follow

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Forward-looking Statements Safe Harbor

In addition to historical information, these prepared remarks contain statements relating to possible future events and/or 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 these prepared remarks that are not strictly historical facts are forward-looking statements that are predictive in nature and depend upon or refer to future events. 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. Consequently, as a result these and other factors, the Company's actual results may differ materially from those expressed or implied by such forward-looking statements.

The international pandemic, the "Novel Coronavirus" ("COVID"-19), has been detrimental to and continues to negatively impact and disrupt the Company's business operations. The health outbreak has caused a significant negative effect on the global economy and employment, in general, including the lack of demand for the Company's services which is exacerbated by government and client directed "quarantines", "remote working", "shut-downs" and "social distancing". While incidences of COVID-19 have generally subsided since its initial outbreak, there continue to be signs of the virus, including emergence of variants of the original strain. Therefore, there is no assurance that conditions will continue to improve and could 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



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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 sales people; (xii) the Company's failure to recruit qualified candidates to provide to clients as temporary workers under contract or for full-time hire; (xiii) the adverse impact of geopolitical events, government mandates, natural disasters or health crises, force majeure occurrences, global pandemics (such as "COVID-19" referred to above), 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.

Non-GAAP Financial Measures

Statements in these prepared remarks and references to financial information include the non-GAAP financial measures, EBITDA, Adjusted EBITDA and Senior Debt leverage ratio, which are provided as additional information to supplement the Company's consolidated financial statements presented on a GAAP basis. These non-GAAP financial measures are used by management internally for planning purposes, to help evaluate the Company's performance period over period, to analyze the underlying trends in its business, to establish operational goals and to provide additional measures of operating performance. GEE Group also uses the non-GAAP financial information to assess the Company's liquidity position, to help determine its ability to meet debt service, to make capital expenditures and to provide for its working capital needs. In addition, the Company believes that the non-GAAP financial measures presented herein are meaningful to investors and are utilized by them to enhance the overall understanding of the Company's financial performance. Non-GAAP financial measures do not serve as an alternative to or substitute for the



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consolidated quarterly and annual financial statements presented in accordance with accounting principles generally accepted in the United States ("GAAP"). The non-GAAP financial measures presented herein might not be calculated in the same manner as, and thus might not be comparable to, similarly titled measures reported by other companies. Non-GAAP EBITDA and non-GAAP Adjusted EBITDA as determined by the Company provide measures of operating results in a manner that is focused on the Company's core business on an ongoing basis, by removing the effects of non-operating and certain non-cash and non-recurring expenses. Non-GAAP EBITDA and non-GAAP Adjusted EBITDA as determined by the Company are computed as net income or net loss before interest, taxes, depreciation and amortization (EBITDA), plus non-cash stock option and stock-based compensation expenses and acquisition, integration and strategic planning expenses, and excluding gains or losses on extinguishment of debt and other gains and losses (Adjusted EBITDA). The financial information tables that accompany our earnings press release include reconciliations of GAAP net income (net loss) and GAAP net operating income (net operating loss) to the non-GAAP financial measures, EBITDA and Adjusted EBITDA. The non-GAAP financial measure, Senior Debt Leverage, is a ratio of the Company's Senior Debt to the trailing 12 months ("ttm") Adjusted EBITDA and provides information about the Company's compliance with loan covenants. The calculation of Senior Debt Leverage is presented in the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany our earnings press release. 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 included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures discussed above, however, should be considered in addition to, and not as a substitute for, or superior to net income or net loss and income or loss from operations as reported in accordance with GAAP on the Consolidated Statements of Income, cash and cash flows as reported in accordance with GAAP on the Consolidated Statement of Cash Flows or other measures of financial performance prepared in accordance with GAAP, and as reflected on the Company's consolidated financial statements prepared in accordance with GAAP included in GEE Group's Form 10-Q and Form 10-K filed for the respective fiscal periods with the Securities and Exchange Commission (SEC).

About GEE Group Inc.

GEE Group Inc. (NYSE American: JOB) 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



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Group, through its Scribe Solutions brand, provides medical scribes who assist healthcare professionals by preparing and maintaining required documentation for patient care utilizing 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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