



***GEE Group Inc. (NYSE American: JOB) Fiscal Fourth Quarter and Fiscal Year Ended September 30, 2022 Earnings and 2023 Update Webcast Conference Call: Prepared Remarks***

***Wednesday, December 21, 2022, 11:00 AM EST***

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**Company Participants**

Derek Dewan – Chairman and Chief Executive Officer

Kim Thorpe – Senior Vice President and Chief Financial Officer

**Intro – Derek Dewan**

Hello, and welcome to the GEE Group fiscal fourth quarter and year ended September 30, 2022 earnings and 2023 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 year and fourth quarter ended September 30, 2022, and provide you with our outlook for fiscal year 2023 and the 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 Tuesday's earnings press release and our most recent Form 10-K 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 trend metrics are rounded, or based upon rounded amounts, for purposes of this call and all amounts,



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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](http://www.geegroup.com).

With that business behind us, I am very happy to report that we achieved outstanding results in fiscal 2022 with revenue of \$165.1 million for the year and revenue for our fiscal fourth quarter of \$41.5 million. Gross profits and gross margins were \$61.7 million and \$15.1 million, and 37.4% and 36.3%, for the fiscal year and fourth quarter ended September 30, 2022, respectively. Our non-GAAP adjusted EBITDA for fiscal 2022 was \$12.5 million, up \$0.2 million, or 2%, compared to fiscal 2021, and represents a 7.5% margin to revenue. Non-GAAP adjusted EBITDA for the fiscal 2022 fourth quarter was \$1.0 million compared to \$3.6 million for fiscal 2021 fourth quarter. We achieved net income of \$19.6 million, or \$0.17 per diluted share, for fiscal 2022 overall. We reported a small net loss of \$800 thousand, or \$(0.01) per diluted share, for the fiscal 2022 fourth quarter.

Before I turn it over to Kim, I want to say 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 was a key factor in the outstanding performance of GEE Group in fiscal 2022 and will contribute greatly to the Company's future success.

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

**Kim Thorpe**

Thank you, Derek, and good morning. As Derek mentioned, revenues for fiscal 2022 were \$165.1 million, up 11% as compared with fiscal 2021 revenues of \$148.9 million. Revenues for the fourth quarter of fiscal 2022 were \$41.5 million, up slightly as compared with the revenues reported for



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the fiscal 2021 fourth quarter. Contract staffing services contributed \$138.5 million and \$35.0 million, or 84% of revenues for both the fiscal year and fourth quarter ended September 30, 2022, respectively. Direct hire placement services contributed \$26.6 million and \$6.5 million, or 16% of revenues, for both the fiscal year and fourth quarter ended September 30, 2022, respectively.

Contract staffing services revenues for fiscal 2022 increased by \$8.7 million, or 7%, as compared to fiscal 2021. Contract staffing services revenues were near level for each of the fiscal 2022 and 2021 fourth quarters.

Direct hire placement revenues for fiscal 2022 increased by \$7.5 million, or 39%, as compared to fiscal 2021. Direct hire placement revenues were near level for each of the fiscal 2022 and 2021 fourth quarters. Direct hire placement revenues for fiscal 2022 set a record high for the Company, exceeding even pre-COVID-19 results.

The increases in total contract and direct hire placement services revenues for the fiscal year ended September 30, 2022 were primarily attributable to increased demand in our professional staffing services segment as the negative effects of COVID-19 have continued to lessen. In addition, the volatility experienced in the U.S. economy and workforce in 2022 created many opportunities and increased demand, particularly in the direct hire placement services market.

Total revenues from our professional staffing services segment, which includes contract staffing and direct hire placement services, were \$149.2 million and \$37.5 million and represented 90% of total revenue for both the fiscal year and fourth quarter ended September 30, 2022, respectively. Professional staffing services segment revenues were up 13% and 1%, respectively, from the comparable fiscal 2021 periods. Our highly specialized IT services vertical, which includes Agile Resources, Access Data Consulting, Paladin Consulting, and SNIT, accounted for 51% of our professional services business segment revenues for fiscal 2022 and were up 23% year-over-year.



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The other professional services verticals (Finance, Accounting, Office Support, Engineering, Healthcare, and other) accounted for the remaining 49% of professional services business revenues for fiscal 2022 and were up 5% year-over-year.

Industrial staffing services revenues were \$15.9 million and \$4.0 million and represented 10% of total revenue for both the fiscal year and fourth quarter ended September 30, 2022, respectively. Industrial staffing services revenues were down 8% and 9%, respectively, from the comparable fiscal 2021 periods. We continued to experience some pandemic-related conditions associated with the delta and then omicron variants in our Ohio markets in the earlier quarters of fiscal 2022. These included school and business closings and interruptions which were reminiscent in some respects of the early COVID-19 pandemic.

Consolidated gross profits and margins were \$61.7 million, or 37.4%, and \$15.1 million, or 36.3%, for the fiscal year and fourth quarter ended September 30, 2022, respectively. Our consolidated gross margins for the last six 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 fiscal year and fourth quarter ended September 30, 2022 increased \$10.3 million and \$2.6 million, respectively. SG&A expenses were 31.4% and 34.8% of revenues for fiscal year and fourth quarter ended September 30, 2022, respectively, compared with 28.0% and 28.6% for the comparable fiscal 2021 periods. 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 during fiscal 2022. Also, a \$400 thousand increase in bad debt expense associated with one of the Company's former industrial staffing services



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customers, and a \$1.0 million charge for the settlement of a legal matter were isolated expenses that added to our SG&A expenses in earlier quarters of fiscal 2022.

As Derek mentioned in his remarks, we achieved net income for fiscal 2022 of \$19.6 million, or \$0.17 per diluted share, as compared with net income of \$6,000 or \$0.00 per diluted share, for fiscal 2021. There was a small net loss for the fiscal 2022 fourth quarter of \$800,000, or \$(0.01) per diluted share, as compared with net income of \$2.9 million, or \$0.03 per diluted share, for the comparable fiscal 2021 quarter. Non-GAAP adjusted net income/loss and diluted EPS, excluding the effects of non-operating and/or non-recurring items, as outlined in the earnings press release, were \$7.7 million, or \$0.07 per diluted share, and a loss of \$400,000, or \$0.00 per diluted share, for the fiscal year and fourth quarter ended September 30, 2022, respectively.

Adjusted EBITDA, which is a non-GAAP financial measure, was \$12.5 million for fiscal 2022, up \$200 thousand, or 2%, compared to fiscal 2021. Non-GAAP adjusted EBITDA for the fiscal 2022 fourth quarter was \$1.0 million compared to \$3.6 million for the comparable fiscal 2021 quarter. Again, our fourth quarter results were impacted by the accrual of additional incentive compensation and bonuses commensurate with the significant improvements in revenues, earnings and production in fiscal 2022.

As we've commented in prior quarters, 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 in supplemental schedules as a part of our earnings press release.

To conclude, our current or working capital ratio at September 30, 2022 was 2.7 to 1. Consolidated accounts receivable, net of allowances for doubtful accounts, at the end of fiscal 2022 were \$22.8 million, and our days' sales outstanding performance metric, or DSO, was approximately 49 days.



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We reported positive cash flow from operating activities of \$1.4 million for the 2022 fiscal fourth quarter and \$9.2 million during fiscal 2022 as a whole, and non-GAAP free cash flow of \$1.3 million and \$8.9 million, respectively. Our cash flow from operations and free cash flow for the year ended September 30, 2022 were reduced, in part, by payment of the first of two equal installments 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 an old, 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 \$0.88 at September 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 fourth quarter and fiscal year marked our fifth consecutive quarter and first full fiscal year of strong performance since de-leveraging the Company. Having consistently achieved higher margins and free cash flow for the last five quarters, we are establishing a positive sustainable track record, as well as positive momentum for the future. At September 30, 2022, the Company had over \$18.8 million in cash and another \$15.4 million in availability under its bank ABL facility. GEE Group's prospects today for future profitable growth have never been better. Despite macroeconomic challenges or unforeseen events, we believe we can continue to produce solid results in fiscal year 2023 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.



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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.

**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





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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 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





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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 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.**



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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 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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