

February 16, 2021



# GEE Group Announces Results for the Fiscal 2021 First Quarter

*Seq. Revenue Growth 11.7%; Operating Income \$2 million; Adj. EBITDA \$3.5 million*

**JACKSONVILLE, FL / ACCESSWIRE / February 16, 2021 / GEE Group Inc. (NYSE American:JOB)** ("the Company" or "GEE Group"), a provider of professional staffing services and solutions, today announced results for the fiscal first quarter ended December 31, 2020.

## 2021 First Quarter Highlights

- Revenue for the fiscal 2021 first quarter was approximately \$34.6 million, up by approximately \$3.6 million or approximately 11.7% sequentially from the preceding quarter and slightly lower, by approximately \$3.0 million or approximately 8.0% when compared to the first quarter of fiscal 2020 amount of approximately \$37.6 million. Contract staffing services contributed approximately \$31.2 million or approximately 90.2% of revenue and direct placement services contributed approximately \$3.4 million or approximately 9.8% of revenue. This compares to contract staffing services of approximately \$33.1 million or approximately 88.1% of revenue and direct placement services of approximately \$4.5 million or approximately 11.9% of revenue respectively for the same quarter of fiscal 2020. Revenue from the combined professional contract and professional direct placement services which is comprised of staffing and solutions in the information technology, engineering, healthcare and finance and accounting specialties was approximately \$29.5 million and represents approximately 85.2% of total revenue for the 2021 fiscal first quarter compared to approximately \$31.9 million or approximately 84.9% of total revenue for the 2020 fiscal first quarter. The slight decrease in contract staffing services and direct placement revenue in the first quarter of fiscal 2021 as compared with the first quarter of fiscal 2020 was primarily attributable to the continuing presence and consequences of the COVID-19 pandemic which had a negative effect on the hiring of contract and permanent workers. However, the Company has experienced a steady overall recovery in business since the initial impact of the coronavirus which began in mid-March 2020 as GEE Group adapted its strategy and operating procedures, including the use of technology, to successfully navigate through the challenges presented by the coronavirus.
- Overall gross margin for the fiscal first quarter ended December 31, 2020 (including direct placement services) improved and was approximately 36.3% compared to approximately 33.5% for the fiscal first quarter ended December 31, 2019. The change in the overall gross margin was primarily due to an increase in the industrial contract services gross margin which included the benefit of additional premium refunds in the form of policy dividends from a retrospectively-rated workers' compensation insurance program. Professional contract staffing services gross margin (excluding direct placement services) for the 2021 fiscal first quarter was approximately 26.2%, virtually

unchanged as compared to approximately 26.4% for the 2020 fiscal first quarter. The small difference is primarily attributable to shifts in the amounts and mix of business between end markets and related billing rates and gross profit realized per hour. Industrial contract services gross margin, not including the benefit of additional premium refunds in the form of policy dividends from of a 'retrospectively-rated workers' compensation insurance program for the 2021 fiscal first quarter was virtually unchanged and approximately 15.4% compared to approximately 15.6% for the 2020 fiscal first quarter. Including the benefit of the additional workers' compensation premium refunds, the industrial contract services gross margin was approximately 45.5%.

- Selling, general and administrative (SG&A) expenses decreased by approximately \$1.8 million and were 27% as a percentage of revenue for the 2021 fiscal first quarter compared to approximately 30% as a percentage of revenue for the 2020 fiscal first quarter. The reduction in SG&A expenses is primarily attributable to mitigation efforts instituted by management to streamline and reduce employee related and other expenses in light of the impact of the coronavirus pandemic plus a reduction in non-cash stock-based compensation expenses of approximately \$286,000.
- GAAP income from operations for the 2021 fiscal first quarter was approximately \$2.0 million compared to a GAAP loss from operations of approximately \$(173,000) for the comparable 2020 fiscal first quarter.
- GAAP net loss for the 2021 fiscal first quarter was approximately \$(315,000) compared to GAAP net loss of approximately \$(3.6) million for the comparable 2020 fiscal first quarter.
- Adjusted earnings before interest, taxes, depreciation, amortization, noncash stock and stock option expenses, acquisition, merger, integration and restructuring expenses and other gains and losses (**adjusted EBITDA, a non-GAAP financial measure**) for the 2021 fiscal first quarter ended December 31, 2020 was approximately \$3.5 million vs. approximately \$2.3 million for the comparable prior year fiscal first quarter (**see non-GAAP adjusted EBITDA reconciliations to GAAP net income (net loss) attached to this press release**).
- GAAP balance sheet financial information as of December 31, 2020: cash of approximately \$14.1 million; net working capital of approximately \$11.5 million; current ratio of approximately 1.5 to 1; and shareholders' equity of approximately \$27.4 million.
- GEE Group expects to continue to take actions in fiscal 2021 to further strengthen its balance sheet by optimizing its capital structure, deleveraging, lowering interest costs and applying for maximum PPP loan forgiveness.

**The aforementioned 2021 Fiscal First Quarter Highlights and the discussion of financial results in this press release and the use of non-GAAP financial measures and the related schedules attached hereto which reconcile non-GAAP financial measures and financial information to that prescribed by GAAP should be read in conjunction with all of the financial and other information included in GEE Group's Quarterly Reports filed with the SEC on Form 10Q for the respective periods, Current Reports on Forms 8K & 8K/A and Information Statements on Schedules 14A & 14C filed with the SEC, and Annual Reports on Form 10K filed with the SEC for the fiscal years ended in 2020 and 2019. The non-GAAP financial measures and metrics of financial results or financial performance included in this press release are not a substitute for the comparable financial measures provided by GAAP and should not be considered as alternatives, substitutes or superior to financial measures presented**

**in accordance with GAAP. Financial information provided in this press release may consist of estimates, projections and certain assumptions that are considered forward looking statements and that are predictive in nature, depend on future events and the projected financial results may not be realized nor are they guarantees of future performance.**

**GEE Group uses the above-mentioned non-GAAP financial measures internally to evaluate its operating performance and for planning purposes and believes that these are useful financial measures also used by investors. These non-GAAP financial measures are not a substitute for or superior to financial measures provided by GAAP and all measures and disclosures of financial information pursuant to GAAP as reflected in the Form 10Q or other reports referred to above filed with the SEC for the respective periods should be read to obtain a comprehensive and thorough understanding of the Company's financial results. The reconciliations of non-GAAP adjusted EBITDA to GAAP net income (net loss) are provided in schedules that are a part of this press release.**

### **Management Comments**

Derek E. Dewan, Chairman and Chief Executive Officer of GEE Group, commented, "the Company's stellar financial results for the first quarter of fiscal 2021 reflected sequential growth over the preceding quarter and were on par with the pre-COVID-19 comparable prior year fiscal first quarter. GEE Group's strategic operating plan as modified in early 2020 to address the challenges presented by the coronavirus pandemic has allowed it to successfully navigate through these difficult times. For the 2021 fiscal year, we have put in place an aggressive top and bottom line budget. With the COVID-19 vaccine roll-out, use of PPE, remote-working and enhanced technology, we expect to continue to mitigate much of the dampening effect on business and hiring presented by the coronavirus and expect to deliver excellent financial results this fiscal year. Our outstanding employees have continued to improve productivity while providing superb customer service. GEE Group anticipates achieving more economies of scale while selectively adding recruitment and sales talent to increase organic revenue growth. The Company's priorities this fiscal year include making strategic acquisitions and taking actions that will optimize its capital structure, improve its balance sheet and increase GEE Group's profitability."

Mr. Dewan added, "We anticipate steady improvement in the labor market in 2021 as macroeconomic conditions get better in tandem with a reduction in the negative impact that the coronavirus has on business activity. GEE Group is well equipped to meet the increasing demand for both direct hire and contract workers, and will recruit and deploy the best talent to fulfill our customers' needs. A "new normal" has emerged from the effects of the coronavirus pandemic and has changed the way our country works. Thus, we expect much greater usage of flexible, on-demand labor to satisfy the human resource needs of corporate America. This provides very favorable conditions for our Company and the staffing industry as a whole."

### **Use of Non-GAAP Financial Measures**

**To supplement the Company's consolidated financial statements presented on a GAAP basis, this press release contains certain financial information including non-GAAP adjusted EBITDA. Management uses these supplemental non-GAAP financial**

measures to help evaluate performance period over period, to analyze the underlying trends in its business, to establish operational goals, to provide additional measures of operating performance, and for internal planning relating to the Company's ability to meet debt service, make capital expenditures and provide working capital needs. In addition, the Company believes investors already use these non-GAAP measures to monitor the Company's performance. Non-GAAP adjusted EBITDA is defined by the Company as net income or net loss before interest, taxes, depreciation and amortization (EBITDA) plus non-cash stock option and stock-based compensation expenses, acquisition, integration and restructuring costs, and other gains and losses. Non-GAAP adjusted EBITDA is not a term defined by GAAP and, as a result, the Company's measure of non-GAAP adjusted EBITDA might 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, accordingly, 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 as reported for GAAP on the Consolidated Statements of Income, cash and cash flows as reported for 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 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 SEC. Reconciliations of GAAP net income or GAAP net loss to non-GAAP adjusted EBITDA are attached hereto.

## Reconciliation of Non-GAAP Adjusted EBITDA to GAAP Net Income (Net Loss)

First Quarter Ended December 31,

(In thousands)

	<u>2020</u>	<u>2019</u>
Net income (net loss), GAAP	\$ (315)	\$ (3,563)
Interest expense, net	2,686	3,219
Taxes (benefit)	(395)	171
Depreciation expense	73	79
Amortization expense	1,044	1,398
Stock compensation & stock option expense	311	597
Acquisition, integration & restructuring	163	377
Other losses and (gains)	(22)	-
Non-GAAP adjusted EBITDA	<u>\$ 3,545</u>	<u>\$ 2,278</u>

**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.

### **Forward-Looking Statements**

In addition to historical information, this press release contains statements relating to 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. 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 and unknown 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 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". There is no assurance that conditions will not 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 from commercial sources or government programs such as the main street lending facility or other economic relief programs, failure to obtain partial or full forgiveness on payroll protection loans 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 regulations and 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.

**GEE GROUP INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

(In Thousands)

	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 14,119	\$ 14,074
Accounts receivable, less allowances (\$435 and \$2,072, respectively)	18,620	16,047
Prepaid expenses and other current assets	854	1,393
Total current assets	33,593	31,514
Property and equipment, net	850	906
Goodwill	63,443	63,443
Intangible assets, net	17,799	18,843
Right-of-use assets	4,285	4,623
Other long-term assets	501	684
<b>TOTAL ASSETS</b>	<b>\$ 120,471</b>	<b>\$ 120,013</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,920	\$ 2,051
Accrued compensation	4,908	5,506
Current Paycheck Protection Program Loans	5,608	2,243
Current operating lease liabilities	1,576	1,615
Other current liabilities	8,096	6,748
Total current liabilities	22,108	18,163
Deferred taxes	215	430
Paycheck Protection Program loans and accrued interest	14,460	17,779
Revolving credit facility	11,828	11,828

Term loan, net of discount	38,744	37,752
Noncurrent operating lease liabilities	3,544	3,927
Other long-term liabilities	2,198	2,756
Total long-term liabilities	<u>70,989</u>	<u>74,472</u>

Commitments and contingencies

#### MEZZANINE EQUITY

Preferred stock; no par value; authorized - 20,000 shares -

Preferred series A stock; authorized -160 shares; issued and outstanding - none	-	-
Preferred series B stock; authorized - 5,950 shares; issued and outstanding - none	-	-
Preferred series C stock; authorized - 3,000 shares; issued and outstanding - none	-	-
Total mezzanine equity	-	-

#### SHAREHOLDERS' EQUITY

Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 17,667 shares at December 31, 2020 and September 30, 2020

Additional paid in capital	58,342	58,031
Accumulated deficit	(30,968)	(30,653)
Total shareholders' equity	<u>27,374</u>	<u>27,378</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 120,471</u>	<u>\$ 120,013</u>

#### GEE GROUP INC.

#### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In Thousands)

	Three Months Ended	
	December 31,	
	2020	2019
<b>NET REVENUES:</b>		
Contract staffing services	\$ 31,248	\$ 33,078
Direct hire placement services	3,395	4,479
<b>NET REVENUES</b>	<u>34,643</u>	<u>37,557</u>
Cost of contract services	<u>22,063</u>	<u>24,962</u>
<b>GROSS PROFIT</b>	<u>12,580</u>	<u>12,595</u>
Selling, general and administrative expenses (including noncash stock-based compensation expense of \$311 and \$597, respectively)	9,487	11,291
Depreciation expense	73	79
Amortization of intangible assets	1,044	1,398
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>1,976</u>	<u>(173)</u>
Interest expense	<u>(2,686)</u>	<u>(3,219)</u>
<b>LOSS BEFORE INCOME TAX PROVISION</b>	<u>(710)</u>	<u>(3,392)</u>
Provision for income tax expense (benefit)	<u>(395)</u>	<u>171</u>
<b>NET LOSS</b>	<u>(315)</u>	<u>(3,563)</u>
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<u>\$ (315)</u>	<u>\$ (3,563)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.02)	\$ (0.27)
<b>WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED</b>	17,667	13,067

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