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TOGETHER TOWARD **TOMORROW**

Q2 2024 CONFERENCE CALL

Prepared remarks from:
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David M. Kelly, EVP and Chief Operating Officer
Jeffrey Hackman, Chief Financial Officer

Disclaimer

All statements in this press release, other than those of a historical nature, are forward-looking statements including, but not limited to, statements regarding the evolution and increasingly instrumental role of technology in driving businesses, demand drivers of technology spend, the acceleration of technological change, the Firm's confidence in being well positioned for improving market conditions, and the Firm's guidance for the third quarter of 2024. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Factors that could cause actual results to differ materially include the following: business conditions; growth rate in temporary staffing and the general economy; competitive factors; risks due to shifts in the market demand; changes in client demand or our ability to adapt to such changes; a constraint in the supply of consultants and candidates or the Firm's ability to attract and retain such individuals; the success of the Firm in attracting and retaining its management team and key operating employees; changes in business or service mix; the ability of the Firm to repurchase shares; the occurrence of unanticipated expenses, income, gains or losses; the effect of adverse weather conditions; changes in our effective tax rate; our ability to comply with government regulations, laws, orders, guidelines and policies that impact our business; risk of contract performance, delays, termination or the failure to obtain new assignments or contracts, or funding under contracts; ability to comply with our obligations in a remote work environment; continued performance and security of, and improvements to, our enterprise information systems; impacts of actual or potential litigation or other legal or regulatory matters or liabilities, including the risk factors and matters listed from time to time in the Firm's reports filed with the Securities and Exchange Commission, including, but not limited to, the Firm's Form 10-K for the fiscal year ended December 31, 2023, as well as assumptions regarding the foregoing. The terms "should," "believe," "estimate," "expect," "intend," "anticipate," "plan" and similar expressions and variations thereof contained in this press release identify certain of such forward-looking statements, which speak only as of the date of this press release. As a result, such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Future events and actual results may differ materially from those indicated in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements and the Firm undertakes no obligation to update any forward-looking statements.

JOE LIBERATORE, PRESIDENT AND CEO

Good afternoon and thank you for your time today. This call contains certain statements that are forward-looking that are based upon current assumptions and expectations and are subject to risks and uncertainties. Actual results may vary materially from the factors listed in Kforce's public filings and other reports and filings with the SEC. We cannot undertake any duty to update any forward-looking statements. You can find additional information about our results in our earnings release and our SEC filings. In addition, we have published our prepared remarks within the investor relations portion of our website.

Our second quarter performance, including the sequential growth in our Technology business, was consistent with our expectations. Operating trends over the first half of 2024 and discussions with our clients indicate to us that the current operating environment continues to be more stable and constructive than it was throughout most of 2023. The opinions on the U.S falling into a recession in the near future remain mixed. While the continued increases in the U.S. stock market indices suggest growing confidence that we may soon reach an inflection point, there still remains significant economic uncertainty as well as heightened geopolitical concerns. Against this backdrop, demand for technology resources and the desire for our clients to initiate new projects has remained consistent over the last three quarters. Clients, broadly speaking, have continued to exercise a degree of caution initiating new technology investments though, the most critical projects continue to be initiated and proceed forward.

As we look beyond the current uncertainties, we continue to be encouraged by the building backlog of strategically imperative technology investments that we expect to be high priorities for our clients to initiate at an accelerated

pace once the macro uncertainties begin to clear. Given the secular underpinnings, there is simply no other market we would want to be focused in other than the technology talent solutions space.

As we move throughout the second half of 2024, we will closely monitor our performance indicators and trends and make any necessary adjustments to our business. However, we intend to continue to invest in our strategic priorities, which we believe will greatly benefit both top line growth and operating profit improvements long term and as markets become more constructive. We also continue to prioritize investments focused on retaining our most productive associates.

As to our second quarter results, revenues were slightly above the midpoint of our guidance and earnings per share were near the top end of guidance. The growth in our technology consultants on assignment that we experienced in March 2024, following the build in our leading indicators earlier in 2024, contributed to our sequential revenue growth in the second quarter. Our consultants on assignment in Technology were largely stable throughout the second quarter following a degree of early-quarter natural assignment attrition. Dave Kelly will expand upon our operating trends in his remarks.

Our message to our people remains unchanged, which is to control what we can, stay close to our people and our clients while maintaining a long-term view in our decision-making. In addition, we continue to focus on client portfolio diversification efforts to best position Kforce for the eventual upcycle and to partner with our clients while they await a period of increased confidence. We are blessed to have a tenured Executive Leadership team, which has been through multiple economic cycles together and is prepared to quickly adjust to changing market conditions. We are equally blessed to have a high performing team that is tenured, dedicated, and passionate about what they do.

While all economic cycles behave a bit differently, what remains clear is that the broad and strategic uses of technology, including the early-stage technology revolution associated with AI, will continue to evolve, and play an increasingly instrumental role in powering businesses. As we have articulated on earnings calls and in conversations with shareholders, over the long term, we believe that AI and other innovative technologies will follow the long historic pattern of ultimately driving demand for, rather than replace technology resources, and that the pace of change will continue to accelerate. We are ideally positioned to meet that demand. Our core competency is rooted in the ability to identify and provide highly skilled critical resources, real-time and at scale, to help world class companies solve complex problems and help them competitively transform their businesses. Our simple, focused operating model also allows us to be flexible and nimble in partnering with our clients to meet their needs across a broad spectrum of engagement forms, from direct hire, traditional staffing assignments to more solutions-oriented engagements and projects. We are continuing to experience growth in our consulting solutions offering, which we believe speaks to our value proposition to provide cost effective and efficient IT solutions in an addressable IT solutions market that is many times greater than the technology staffing market.

Our decision to grow our business organically with a consistent, refined business model has been critical to our success over many years, and we remain confident that our Firm is positioned well for improving market conditions. Kforce was recently named one of America's Best Midsize Companies by Time Magazine. This is another testament to the strong company culture we have built. I am tremendously proud of our team's efforts as they continue to execute with incredible resilience and passion to serve our clients, candidates, and consultants cohesively as one Kforce while also meaningfully advancing our strategic enterprise priorities. I remain confident and excited about the future of Kforce.

Dave Kelly, our Chief Operating Officer, will now give greater insights into our performance and recent operating trends. Jeff Hackman, Kforce's Chief Financial Officer, will then provide additional detail on our financial results as well as our future financial expectations.

DAVID M. KELLY, EVP AND CHIEF OPERATING OFFICER

Thank you Joe. Total revenues of \$356 million were slightly above the midpoint of our expectations for the second quarter, increasing 1.3% sequentially and down 8.4% year-over-year. Our Technology business grew 1.7% sequentially and declined 6.4% year-over-year.

After experiencing some early April assignment ends, consultants on assignment in our Technology business were largely stable throughout the remainder of the second quarter. That said, purchasing activity, even within the same industry, is uneven. We have seen significant growth in some of our largest clients, while others have taken a more conservative approach and reduced investment. This pattern is not industry specific, but rather reflected across the corporate landscape. It is clear that our clients - broadly speaking - are awaiting a period of increased confidence to begin more aggressively addressing the backlog of important technology initiatives that has built up over the last two years of measured investment. Given no apparent near-term catalyst and a moderation in the U.S. economy, we anticipate relatively stable sequential trends in our Technology business in the third quarter.

Encouragingly, overall average bill rates in our technology business of \$90.39 grew 1.2% sequentially and over the last 6 to 8 quarters have largely been stable. The consistent strong demand for highly skilled talent on both traditional staffing assignments or as part of a managed team or project solutions and the options these individuals have kept bill and pay rates stable, even as the overall industry trends have slowed in recent years.

Our clients remain focused on critical technology initiatives in the areas of digital, data governance and analytics, AI and ML, UI/UX, cloud, business intelligence, project and program management, and modernization efforts. We have established a foundation of sourcing quality talent, at scale, for our clients across a range of skillsets for more than 60 years. As technology has evolved over the decades, including recent advancements around AI, we have evolved with the changing skillset demands of our clients.

Flex margins of 25.9% in our Technology business increased 60 basis points sequentially, primarily due to annual payroll tax resets. As they have been over the last three quarters, bill-pay spreads in our Technology business were stable on a sequential basis, which continues to be an encouraging data point given the cloudiness in the economic environment.

We have continued to broaden our service offerings beyond traditional staffing assignments to include managed teams and project solution engagements. Clients consider access to the right talent essential to their success and see our services as a cost-effective solution for their project requirements. Our integrated strategy capitalizes on the strong relationships we have with world-class companies by utilizing our existing sales teams, recruiters, and consultants to provide higher value teams and project solutions engagements that effectively and cost efficiently address our clients' challenges.

Our client portfolio is diverse and is mostly comprised of large, market-leading companies. Market leaders typically prioritize technology investments to maintain their competitive advantage. Our focus on addressing their needs continues to be critical in our ability to drive sustainable, long-term above-market performance. From an industry perspective, our largest vertical, Financial Services, experienced improvement sequentially after some recent headwinds, and we experienced notable growth in both business and professional services and travel and leisure industries.

Looking forward to Q3, we expect Technology consultants on assignment to remain relatively consistent with the levels we saw at the conclusion of the second quarter. Revenue may be stable to slightly down sequentially should current patterns persist and year-over-year declines should decelerate a bit as compared to the second quarter.

Our FA business, currently 8.0% of our revenues, declined approximately 6% sequentially and declined 23% year-over-year. The year-over-year decline reflects the impact of business we are no longer supporting due to our repositioning efforts and a more challenging macro-environment environment. Our average bill rate of approximately \$51 per hour improved slightly sequentially and is reflective of the higher skilled areas we are pursuing that are more synergistic with our Technology service offering. We expect Q3 FA revenues to be down sequentially in the mid-single digits.

Flex margins in our FA business increased 60 basis points sequentially driven by seasonal payroll tax resets. Flex margins in FA have improved 130 basis points over the last five years as our mix of business has significantly improved. We expect bill-pay spreads to remain fairly stable at these levels in Q3.

We have taken necessary and thoughtful measures to strike a balance between associate productivity and our revenue expectations. As we have done in prior economic downturns, we are focused on retaining our most productive associates and making targeted investments in the business to ensure that we are well prepared to capitalize on the market demand when it accelerates. We continue to invest in our managed teams and project solutions capabilities and the integration of those offerings within the Firm, which is progressing well.

While the uncertainty in the macro environment has certainly persisted longer than most have expected, I remain tremendously excited about our strategic position and ability to continue delivering above-market performance in our Technology business as we have for over 15 years. The success that we have as an organization doesn't happen without the unwavering trust that our clients, candidates, and consultants place in us. I appreciate the dedication, creativity, and resilience displayed by our incredible team. I will now turn the call over to Jeff Hackman, Kforce's Chief Financial Officer.

JEFF HACKMAN, CHIEF FINANCIAL OFFICER

Thank you, Dave. Second quarter revenues of \$356.3 million declined 8.4% year-over-year and were just above the midpoint of our expectations. Earnings per share of \$0.75 were near the high end of our guidance.

Overall gross margins in the second quarter increased 70 basis points sequentially primarily due to seasonal payroll tax resets and a slightly improved direct hire mix. Margins declined 50 basis points year-over-year to 27.8% due to a combination of a lower mix of direct hire revenue and a slight degree of pricing compression, which has significantly moderated following earlier 2023 pricing sensitivities. In fact, Flex Margins in Q2 in our technology business were unchanged year-over-year. As we look forward to Q3, we again expect them to be essentially unchanged given the stability we are experiencing.

Overall SG&A expenses as a percentage of revenue was 21.8%, which is an increase of 50 basis points year-over-year. Our variable-based compensation structure, the adjustments we made in July 2023 to reduce our structural costs to the lower revenue levels, and disciplined cost management has significantly mitigated the impact of lower revenue and gross profit levels on our profitability. With that said, we are continuing to prioritize investments in retaining our most productive associates, making targeted investments in leadership and our sales capabilities and advancing our enterprise initiatives, all of which are expected to significantly contribute to our longer-term financial objectives and prepare us well for when companies more aggressively invest in their technology initiatives.

Our operating margin of 5.5% was toward the high end of our expectations as we benefited from strong flex margins and lower than anticipated SG&A costs. Our effective tax rate in the second quarter was 26.3%, which aligned with expectations.

Operating cash flows were approximately \$21 million and our return on equity was 35%.

We have prudently managed our business by driving solid organic growth over many years, which has resulted in consistently strong results and a pristine balance sheet with minimal debt. Our pattern of returning significant capital to our shareholders has been consistent over many years and continued in Q2, with over \$15 million returned through dividends and share repurchases. This consistent repurchase activity continues to be strongly accretive to earnings. Additionally, we have increased our dividend in each of the past five years, and the current yield of 2.2% is amongst the highest in our industry. All in, we have returned slightly more than \$900 million in capital to our shareholders since 2007, which has represented approximately 75% of the cash generated, while significantly growing our business and improving profitability levels. Our strong predictable cash flows allow us to remain committed to investing in our business while continuing to aggressively return capital regardless of the economic climate and still maintaining minimal debt levels. Our threshold for any prospective acquisition remains very high. Our strong balance sheet and the flexibility we have under our Credit Facility provides us with the opportunity to get more aggressive in repurchasing our stock if there is a dislocation between expected future financial performance and the valuation of our shares.

The third quarter has 64 billing days, which is the same as the second quarter of 2024 and one more than the third quarter of 2023. We expect Q3 revenues to be in the range of \$347 million to \$355 million and earnings per share to be between 65 and 73 cents. Our guidance is based upon the assumption of a stable environment and does not consider the potential impact of any other unusual or nonrecurring items that may occur.

We remain excited about our strategic position and prospects for continuing to deliver above-market results over the long-term while continuing to make the necessary investments to help drive long-term growth and enable us to achieve our longer-term profitability objective of attaining double digit operating margins at slightly greater than \$2 billion in annual revenues.

On behalf of our entire management team, I'd like to extend a sincere thank you to our teams for their efforts.