

# JOB Earnings Call Transcript

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**Quarter: 4**

Derek Dewan: Hello, and welcome to the GEE Group Fiscal Fourth Quarter and Fiscal Year Ended September 30, 2025 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. It is our pleasure to share with you GEE Group's results for the fiscal 2025 full year and fourth quarter ended September 30, 2025, and provide you with our outlook for the fiscal year 2026 and the foreseeable future. Some comments Kim and I will make may be considered forward-looking, including predictions, estimates, expectations and other statements 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 below under the caption Forward-Looking Statements Safe Harbor and in Wednesday's earnings press release and our most recent Form 10-Q, 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. Throughout this presentation, we will refer to periods being presented as of this quarter or the quarter or this fiscal year or the fiscal year, which refers to the 3-month or 12-month periods ended September 30, 2025, respectively. Likewise, when we refer to the prior year quarter or prior year, we were referring to the comparable prior 3-month or 12-month periods ended September 30, 2024, respectively. During this presentation, we also will talk about some non-GAAP financial measures. Reconciliations and explanations of the non-GAAP measures we will address today are included in the earnings press release. Our presentation of financial amounts and related items, including growth rates, margins and trend metrics are rounded or based upon rounded amounts, for purposes of this call and all amounts, percentages and related items presented for 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). Now on to today's prepared remarks. We continue to face very difficult and challenging conditions in the hiring environment for our staffing services, which have been ongoing since the second half of 2023 and throughout 2024 and 2025. These have stemmed from what is now acknowledged as over hiring that took place in 2021, 2022 in the immediate aftermath of the pandemic and the macroeconomic uncertainty, interest rate volatility and inflation that followed. These conditions have produced a near universal cooling effect on U.S. employment, including businesses' use of contingent labor and the hiring of full-time personnel. Since 2023, many client initiatives such as IT projects and corporate expansion activities requiring additional labor in general have been put on hold. Instead, many of the businesses we serve have implemented and proceeded with layoffs and hiring freezes and in many cases, have focused on retaining their existing employees rather than adding new employees. Companies and businesses are cautiously assessing interest rates and market conditions to ensure their investments in technology and human capital are strategic and sustainable. Artificial intelligence, or AI, is gaining ground at an accelerated pace and is further complicating the HR and project planning opportunities and risks facing virtually all companies, including consumers of our services. These conditions negatively impact job orders for both contract and direct hire placements and have negatively impacted our financial results for the fiscal year and fourth quarter ended September 30, 2025, accordingly. Our contract staffing and

direct hire placement services are currently provided under our Professional segment. The operations and substantially all the assets of our former Industrial segment were sold during fiscal 2025 and have been reclassified as discontinued operations and are excluded from the results of continuing operations we'll discuss today, unless otherwise stated. Consolidated revenues were \$23.5 million for the quarter and \$96.5 million for the fiscal year. Gross profits and gross margins were \$8.4 million and 35.8%, respectively, for the quarter and \$33.4 million and 34.6%, respectively, for the fiscal year. Consolidated non-GAAP adjusted EBITDA was negative \$306,000 for the quarter and negative \$1.2 million for the fiscal year. We reported a loss from continuing operations of \$613,000 and or \$0.01 per diluted share for the quarter and a loss from continuing operations of \$34.7 million or \$0.32 per diluted share for the fiscal year. We are aggressively taking actions to adjust and enhance our strategic focus, growth plans and financial performance and results. As we announced earlier, we completed an M&A; transaction with the acquisition of Hornet Staffing in March 2025 fiscal quarter. We also continue to streamline our core operations and improve or adjust our productivity to match our current lower volumes of business, which helped us improve our results in terms of non-GAAP adjusted EBITDA and EBITDA. We reduced our SG&A; during the fiscal year by an estimated annual amount of \$3.8 million, of which an estimated \$954,000 was realized in our fiscal year results. In addition to our ongoing cost reduction and integration activities, we have renewed our focus on VMS and MSP source business, including the use of special recruiting resources and acceleration of the integration and use of AI technology into our recruiting, sales and other processes. Importantly, we anticipate achieving continuing improvements in our productivity and restoring profitability as soon as practically possible. Our goal is to become profitable again in fiscal 2026. In addition to these near-term initiatives, we are working closely with our frontline leaders in the field across all of our verticals to support them as we all continue to aggressively pursue new business in addition to growing and expanding existing client revenue. We are seeing some positive results from these efforts, as the uncertainty and volatility currently gripping our economy and labor markets begins to subside, I am very confident that we are positioned to meet the increased demand from existing customers and win new business. As you also know, we paused share repurchases on December 31, 2023, having repurchased just over 5% of our outstanding shares as of the beginning of the program. Share repurchases will always be considered as an alternative component of our capital allocation strategy and a bona fide alternative use of excess capital in the future, if and when considered prudent. I want to reassure everyone that we fully intend to successfully manage through the challenges I've outlined and restore the growth and profitability as soon as possible. GEE Group has a strong balance sheet with substantial liquidity in the form of cash and borrowing capacity. The company is well positioned to grow organically and to be acquisitive. We also continue to believe that our stock is undervalued and especially so based upon recent trading at levels very near and even slightly below tangible book value and that there was a good opportunity for upward movement in the share price once we are able to operate again in more normal economic and labor conditions and restore profitable growth. Management and our Board of Directors share the responsibility and are committed to restoring growth and profitability, which will lead to maximizing shareholder value. Before I turn the call over to Kim, I once again wish to thank our wonderful dedicated employees and associates. They work extremely hard every day to ensure that our clients get the very best service and are the most important ingredient for our company's future success. At this time, I'll turn the call over to our Senior Vice President and Chief Financial Officer, Kim Thorpe, who will further elaborate on our fiscal 2025 full year and fourth quarter results. Kim?

Kim Thorpe: Thank you, Derek, and good morning, everyone. As Derek mentioned in his remarks, our former Industrial segment results are excluded from the results of continuing ops and comparisons, which I will now address. Consolidated revenues for the quarter and the fiscal year were \$23.5 million and \$96.5 million, respectively, both down 10% from the comparable prior year periods. Professional contract staffing services revenues for the quarter and the fiscal year were \$20.4 million and \$84.7 million, respectively, both down 11% from the comparable prior year periods. Our professional contract staffing services revenues for the quarter and fiscal year included \$1.3 million and \$3.4 million, respectively, generated by Hornet Staffing since its acquisition earlier in January 2025. Direct hire revenues for the quarter and the fiscal year were \$3.1 million and \$11.8 million, down 9% and 3%, respectively, compared with the prior year periods. Gross profits and gross margins for the quarter and

the fiscal year were \$8.4 million and 35.8% and \$33.4 million and 34.6%, respectively, compared to \$9.2 million and 35.1% and \$36.1 million and 33.8%, respectively, compared with the prior fiscal year periods. The decreases in gross profit dollars were mainly attributable to lower volumes of our professional contract staffing services revenues. By contrast, the net increases in our gross margins are mainly attributable to the increase in the mix of our direct hire placement revenues which have 100% gross margins relative to total revenue. Selling, general and administrative expenses, or SG&A;, for the quarter and fiscal year were \$8.9 million and \$35.6 million, down 13% and 11%, respectively, compared with the prior year periods. SG&A; expenses as a percentage of revenues for the quarter and the fiscal year were 38.1% and 36.9%, respectively, compared with 39.4% and 37.2%, respectively, for the prior year periods. In response to the realities of our present environment, we continue to prioritize and focus heavily on streamlining our core operations and improving our productivity to match our current lower volumes of business. As Derek mentioned, we reduced our annual SG&A; during the 2025 fiscal year by approximately \$3.8 million on an annualized basis, of which a portion was realized in our 2025 fiscal year results, with the expectation that the full amount plus additional expense reductions as needed will be realized in the 2026 fiscal year. This has helped us improve our results in terms of non-GAAP adjusted EBITDA and non-GAAP EBITDA in both the quarter and the full fiscal year as compared with the prior fiscal periods despite lower volume of business. In addition to our ongoing cost reduction and integration initiatives, we have placed a renewed focus on VMS and MSP source business, including the use of special recruiting resources, the acceleration of integration and use of AI technology in our recruiting, sales and other processes. I also want to restate Derek's earlier point that our plans are intended to restore profitability as soon as practically possible. Our goal is to return to profitability as early as possible and hopefully during mid-fiscal 2026. Our loss from continuing operations for the quarter was \$613,000 or negative \$0.01 per diluted share as compared with a loss of \$2.1 million or \$0.02 per diluted share for the prior year quarter. Loss from continuing operations for the fiscal year was \$34.7 million or \$0.32 per diluted share as compared with a loss of \$22.7 million or \$0.21 per diluted share for the prior year. These losses include for the year's noncash goodwill and other intangible asset impairment charges of \$22 million for the 2025 fiscal year and \$19.4 million for the fiscal 2024 year. EBITDA, which is a non-GAAP financial measure, improved for the 2025 fiscal fourth quarter and the 2025 fiscal year and were negative \$524,000 and negative \$2.3 million, respectively, compared with a negative \$1.1 million and negative \$3.7 million for the prior fiscal year. Adjusted EBITDA, a non-GAAP -- another non-GAAP financial measure, improved for the 2025 fiscal fourth quarter and 2025 fiscal year and were negative \$306,000 and negative \$1.2 million, respectively, compared with negative \$924,000 and negative \$2.0 million for the 2024 prior year comparable fiscal periods. Our current or working capital ratio, as of September 30, 2025, was 4.1:1. We had positive free cash flow, a non-GAAP financial measure, including cash flows from discontinued operations for the fiscal year of \$533,000 as compared with \$144,000 for the prior year. Our liquidity position as of September 30, 2025, remain very strong with \$21.4 million in cash, an undrawn ABL credit facility with availability of \$4.8 million, net working capital of \$24.0 million and no outstanding borrowings. Our net book value per share and net tangible book value per share were \$0.46 and \$0.23, respectively, as of September 30, 2025. In conclusion, while we're disappointed with our results and remain cautious in our near-term outlook, we remain resolved to restore profitability and are preparing for the long term, including making modernization improvements and enhancements, such as the integration of AI across all of our businesses and processes. Having completed our acquisition of Hornet in the March quarter 2025, we also intend to continue to pursue other acquisition opportunities, albeit in a very disciplined prudent manner with a particular emphasis on business focused on AI consulting, cybersecurity and other IT consulting. Before I turn it back over to Derek, please note that reconciliations of GEE Group's non-GAAP financial measures discussed today with their GAAP counterparts can be found in the supplemental schedules included in our earnings press release. Now I'll turn the call back over to Derek.

Derek Dewan: Thank you, Kim. Despite the macroeconomic headwinds and staffing industry challenges impacting the demand for our services, we are aggressively managing and preparing our business to mitigate losses, restore profitability and be prepared for an anticipated recovery. What we hope you take away from our earnings press release and our remarks today and from our strategic

announcements, is that we are moving aggressively not only to prepare for a more conducive and growth-oriented labor market, but also to restore growth by continuing with the execution on both organic and M&A; growth plans and initiatives. We will continue to work hard for the benefit of our shareholders, including consistently evaluating strategic uses of GEE Group's capital to maximize shareholder returns. We're very pleased with our 2025 acquisition of Hornet Staffing and the value and opportunities it brings and have identified other acquisition opportunities that we believe can offer additional growth and profitability platforms for us. Before we pause to take your questions, I want to again say a special thank you to all of our wonderful people for their professionalism, hard work and dedication. Now Kim and I would be happy to answer your questions. [Operator Instructions] We'll now enter the question-and-answer period.

Kim Thorpe: Our first question is what is the company's time line for achieving your goal of \$1 billion in revenue per year. That goal was set initially when we were in a higher accelerated pace of acquiring companies. Since then, the pandemic has hit and our world has changed a lot. So the answer today is, I can't tell you when we might hit that number, but we're going to get back to growth. We're absolutely committed to that. And then from there, we're going to grow as quickly and safely as practically possible. So that's my comment on that. The next question, what changes are going to be made to raise the stock price. On that question, I will tell you, we're doing everything we can now to -- the first step and I'll tell you this in a crawl, walk and run sense. The first step is to return to profitability. The next step is to pivot the business so that we can continue to get back on a growth track to grow the business and face with the current realities that we do. We happen to believe that AI is going to play -- AI and automation and integration are going to play an important role in that. And so that's the trajectory that we're heading for now. Derek, do you want to add anything to that?

Derek Dewan: No, other than we've taken a lot of cost-reduction initiatives and put a lot of efficiency improvements in both recruiting and the sales process, and we're starting to see the benefit of that. So organically, we see improvement on the way. It's happening as we speak. And I think they talked about -- the question was about growth and size. I think an acquisition of size and in the right space will also help improve our operating results and growth metrics and thus contributing to a better stock price.

Kim Thorpe: The next question refers to BGSF and a recent transaction it had, and it's basic -- without going into a lot of the details, it's basically suggesting to us that it might be something that we consider. Derek, do you want to comment on that one as well?

Derek Dewan: Well, we're very familiar with that company, and they sold off professional division at a pretty good multiple to Alvarez & Marsal, a private equity group that has a platform of primarily IT staffing. And the transaction was valued appropriately and got a good price for it. The question is what was left and how is that performing? And I think they have their own strategic plan. And we, on the other side of the fence here are always looking for opportunities to enhance shareholder value. And we believe that critical mass and size matter in this industry, scalability, leveraging your SG&A; and lowering it as a percentage of revenue. So M&A; is very important in the bigger scheme of things. And we're always looking for opportunities, no matter how they are brought to the table. And I think that was a good transaction for them.

Kim Thorpe: The next questions -- a couple of questions involve insider buying. And can we address why the market is not seeing more insider buying from management and the directors recently. And I'll just say that if you pull up a copy of our 10-K, you'll see that insiders and significant holders already have about 25% or more of the company's outstanding stock. The senior management team here combined has about 5 million or 6 million shares. We're all on the same page on that. We all have skin in the game. So that's the answer. And we're not in a blackout period. We don't have a specific policy requiring people to buy the stock, but they're always free to buy the stock outside of the blackout periods or whenever they don't have insider information. Is senior management and Board are taking salary cuts in order to work through a difficult period successfully? Our senior executive pay plans are such that we are rewarded if we perform and we're not rewarded if we don't. I can tell you that for 2 years in a row, we have not earned any management bonuses. The 3 senior executives here have had what was formally granted at about \$1.3 million worth of stock forfeited because of the performance over the last 2 years. We have not had any pay increases since 2023, so -- and neither has the Board. So that would be our response to that. Derek, do you have anything to add to that?

Derek Dewan: No, we are very cautious about paying for performance. And I think since we haven't performed at the levels that we want to perform at or that are expected, the remuneration has not been -- incentive pay has not been paying out, and we actually have forfeited a lot of potential equity that we would have gotten as part of the pay plan. So we're very keen on watching that. And we're hopeful that we do participate in the upward swing of the company's profitability. But again, there has to be performance for senior management to get paid on any type of incentive pay.

Kim Thorpe: Next question, are you consolidating offices given lower demand? The answer to that is yes. Probably over the last 2 or 3 years, we've consolidated or closed about half a dozen offices.

Derek Dewan: I'd like to add as well that we have moved away somewhat from bricks and mortar because of the ability to use technology, hybrid work schedules and remote working. So we are taking advantage of that. And as AI has become more prevalent in our toolbox, that facilitates the ability to reduce our bricks-and-mortar footprint.

Kim Thorpe: Okay. Would you consider initiating your buyback once you have visibility into achieving profitability again rather than waiting until it's actually achieved?

Derek Dewan: I think that strategically, that's an option. And we evaluate that option at our Board of Director level virtually at every Board meeting that we have. We take a look at that, look at our financial position, look at our growth metrics and performance. So it's on the table at virtually every meeting we have and restoring profitability will help drive that as an option as well.

Kim Thorpe: Let's see, can you elaborate on why there -- okay, here's another question coming in, I'm sorry, it's telling us that the original question about pay cuts was on base salary, not bonuses. Once again, as I said, we have not had an increase in base salary since 2023, and we're not going to take an increase in base salary until we get back to reasonable profitability. Can you elaborate on why there is such a focus on growing the company via acquisitions, increasing future, why there is -- I'm sorry, can you elaborate on why there is such a focus on growing the company via acquisitions versus increasing future earnings per share, emphasis on per share by buying stock now at valuations that target asset value, intrinsic value. If it is a matter of returns on capital equity, what per share return threshold are you looking for in M&A; that you don't think you can obtain in buybacks right now? The ultimate goal of stock buybacks, and I understand everybody's compulsion to ask about these, but the end game on the stock buyback is to liquidate the company. We're not in a point where we want to aggressively buy stock back when there are opportunities still out there that we could get back on a more attractive growth track because at the end of the day, if we put the company in a position where we have a better outlook, we're profitable and we're growing, we believe the return on that number is better than the stock buyback number. What are you seeing in M&A; valuation multiples right now? What multiples do you realistically want to buy at? And what do you think it will take to bridge that gap to be able to close on additional deals? Derek, do you want to take that one?

Derek Dewan: Sure. So the objective is to obviously pay as little as possible, but the multiples are ranging from 6 to as high as 10x EBITDA, depending upon the growth rate of the business and the space and sector they're in. Ideally, our own multiple will expand in conjunction with the acquisition, so that would make sense. And we will look at tremendous synergies typically because we -- even though we've cut a lot of expenses, we're positioned technologically and with very good internal human resources to take on an acquisition and achieve synergies and economies of scale. So acquisitions provide economies of scale, multiples can range anywhere from 6 to 10x, but 10x would be a very fast-growing pure-play consulting organization, not necessarily a staffing company. So in pivoting -- since we're on acquisitions, pivoting to statement of work-type consultancies is a prime focus with a subset focus into AI, cybersecurity and high-end IT consulting.

Kim Thorpe: And then the last question here. Can you share if the company is committed to leveraging offshore or international sales and recruiting. And if so, what is the company's current utilization of offshore?

Derek Dewan: That's a great question. And we currently have an offshore team in India that we are leveraging now. We want to do more in terms of utilization of our offshore team and expand it to leverage recruiting and giving them the AI recruiting tools will help allow for that team to expand their capability rapidly, and we can have our senior recruiting team domestically guiding the offshore team,

and that's the ideal situation. So you want to use 3 components: onshore, nearshore and offshore, and we're exploring nearshore opportunities as well. Lat Am is Latin American recruiting. You'll hear a lot about that. It's on the rise. So that's also -- so it's a triple option. It's onshore, nearshore and offshore.

Kim Thorpe: And we had another late question come in. And to this questioner I'm going to make a bit of an apology. He called me out a little bit for the liquidating the company comment on share buybacks. And he's right. Of course, I didn't mean that we would buy shares back to liquidate the company. My point is, is that buying shares back, grow the per share value, but it does not invest in assets or properties that will grow the company. So that was the point I was making, and I apologize for that.

Derek Dewan: Ideally, once we restore profitability, the capital allocation strategies should include taking current cash flow and using that for both M&A; support and buybacks and taking the existing cash and creating a combination of both of those types of activities to enhance shareholder value. So these are heavy discussions that we have consistently. But the worst thing to do in the world is to burn your cash position out in a down market with not great operating performance and put the company at risk to have to borrow to fund current operations when you really don't need to. So I think ideally, the concept of a buyback is something considered highly, but we'd like to see the restoration of profitability on a current cash flow basis before we turn on the spigot.

Kim Thorpe: Correct and free cash flow.

Derek Dewan: And free cash flow. Correct. And we actually are hitting close to that. I mean if you could look at the numbers, Kim, I think we had positive.

Kim Thorpe: We had positive cash flow and free cash flow for the year. But again, it's -- until the market itself sorts out and the orders begin to stabilize and get back to normal, and we can get back to normal operations, I don't think it's prudent to burn our cash when there are other opportunities that we believe are better.

Derek Dewan: One thing I want to add, too, is AI has provided both a reduction in the human workforce and labor, as we knew it before, but it's also provided an opportunity to grow business and to streamline our own business. So we are heavily focused on AI, both internally and through M&A.;

Kim Thorpe: And Derek, that's our last question. So do you want to...

Derek Dewan: Well, at this point, we'll conclude the call, and we really appreciate your interest level, being a shareholder of the company and rest assured, we're not complacent. We're very -- we're not satisfied, but we are working hard to get back on track to restoring growth and profitability and enhancing our shareholder value. Thanks for being on the call today. Have a great holiday. Thank you.

Kim Thorpe: And that concludes our call. Thanks, everybody.