Q4 2025
CONFERENCE CALL

Prepared remarks from:
Joseph J. Liberatore, President and CEO
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 our business momentum into 2026, the transformational nature of our strategic initiatives and their contribution to our longer-term financial objectives, and the Firm's guidance for the first quarter of 2026. 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: general business conditions; global trade policy, federal administration actions, including with respect to immigration, and the impacts of the recent government shutdown as well as their potential impacts on our operations and the broader economy; growth rates in temporary staffing and the general economy; competitive factors; risks due to shifts in the market demand, including those resulting from the growth of artificial intelligence (AI); changes in 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 and issue and pay dividends; 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 or respond to government regulations, laws, orders, guidelines and policies that impact our business; risk of contract performance, delays, termination or the failure to obtain new assignments, contracts, or funding under contracts; ability to comply with our obligations in a remote work environment, including consultants engaging in unauthorized or fraudulent activity; continued performance, security of, and improvements to, our enterprise information systems; and 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, 2024, as well as assumptions regarding the foregoing. The terms "should," "believe," "estimate," "expect," "intend," "anticipate," "plan," "appear," "suggest" 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, 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.

We are pleased to have delivered fourth quarter revenues that exceeded our expectations and were reflective of the continued build of momentum that we discussed on our last earnings call. The sequential flex revenue growth that we delivered in our Technology business represents the highest sequential billing day growth since the second quarter of 2022. This momentum appears to be carrying over into the first quarter as January results suggest that 2026 is our best start since 2022. These trends are suggestive of the strength in our client portfolio, the criticality of the work that we are doing, and the resilience of our people. We also believe that our trends are evidence that clients may be increasingly pursuing a flexible talent model as a means to complete critical projects in this uncertain macro landscape and the growing belief that the returns that will be generated from continuing AI investments may take longer to realize and may be more specific in nature to unique business problems rather than an overarching solution to all technology challenges.

I am very proud of our team's accomplishments in driving our business forward and making the necessary adjustments to maintain high levels of performance. To that end, our results for the fourth quarter reflect certain charges related to refinements in our internal headcount and organizational structure that further align with current revenue levels

and positions us well to execute in 2026 and beyond. We also took certain actions to streamline other areas of our operating costs, which Jeff Hackman will cover in more detail in his remarks along with the expected benefits.
We have made tremendous progress in 2025 with our strategic initiatives, including the advancement of the implementation of Workday as our future state enterprise cloud application for HCM and financials, the evolution of our offshore delivery capability in India, and the further integration of all of the Firm’s capabilities across the full spectrum of our service offerings as One Kforce. Each of these initiatives are transformational in nature and will be a meaningful contributor to us meeting our longer-term financial objectives.

2025 marked the third consecutive year of revenue declines for Kforce and for the broader technology services sector. The latest economic data continues to suggest a persistently weak and largely frozen labor market, marked by prolonged stagnation in job gains coming off the post-pandemic peaks and companies' protective reactions to the great resignation. That being said, our historical experience is that companies typically turn to flexible talent solutions as an initial step prior to making core hires while they assess the durability of the macroeconomic conditions, we are optimistic that our recent operating trends are suggestive of that more typical cyclicality. The debates continue on the relative impact of AI on the technology services sector revenue trends versus the impact of economic uncertainty and a soft labor market. Regardless, this uncertainty may intensify the use of flexible talent as companies prioritize agility until they gain clearer insight into how these technologies and at what pace they will reshape their overall business and talent strategies.

We have witnessed transformative shifts before, such as the migration from mainframe to distributed processing, the emergence of the internet, the mobile revolution, and the move to cloud computing. The emergence of the internet likely most closely aligns with AI. Unlike other secular technology shifts, the Internet and AI directly impact operating models and broadly touch virtually all white-collar roles in some manner. The internet secular shift followed a typical investment and integration cycle pattern where we had initial exuberance, massive infrastructure investment, premature abandonment of legacy systems, realization of integration and modernization needs, a return to balanced strategic investment and finally workforce transformation and skill shortage. We believe generative AI, and its offshoots into agentic AI and cognitive AI, is in the early innings of evolution and may just be starting to mirror this historical pattern, which has in past cycles been an opportunity for Kforce and the broader technology sector. Securing the right talent, organizing the right teams, and launching focused enterprise-level initiatives is essential for organizations to successfully adopt and maximize these new tools to remain competitive. Our strong position should allow us to increase client-share and expand into new clients, continuing our track record of gaining market share and reinforcing the solid foundation that drives lasting value for our shareholders.

Our domestically focused, organic growth strategy continues to serve us well, minimizing distractions and enabling our people to fully concentrate on partnering with clients to solve their most critical business challenges.

Before I conclude, I want to express my appreciation for the exceptional people who make up the Kforce team. I am proud of the performance, resilience, and commitment demonstrated across the organization. It is a privilege to work alongside such a talented and dedicated group. Their passion and contributions place us in a strong strategic position, and I am confident in our direction and enthusiastic about the opportunities ahead. 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

Total revenues of $332.0 million surpassed our expectations and represented a 3% overall sequential improvement per billing day in the fourth quarter. Flex revenues in our Technology and FA businesses grew sequentially 3% and 5.7%, respectively, on a billing day basis in the fourth quarter. As we entered the second half of 2025, we began to see signs of improvement across much of our portfolio. The second half momentum, punctuated by our Q4 sequential growth and the strong start to 2026 puts us in a position where our Q1 guidance contemplates year-over-year revenue growth on the high end and only a slight revenue decline on the low end.

Although many clients continue to take a measured approach to technology investments as they await greater evidence suggesting a sustained period of economic stability, they continue to prioritize mission-critical initiatives that require high-end talent to execute as well as investments in areas such as data and digital that are critical for the realization of their AI strategies. Our recent momentum and operating trends suggest to us that clients may be reaching a point where they can no longer wait to execute their long-term roadmap of critical technology needs and are looking to begin addressing the significant backlog of initiatives. The improvements in our business spanned many industries as evidenced by sequential growth in eight of our top ten industries.

We continue to fuel further organic investments in our consulting solutions business, in response to increasing client demand for cost-effective access to highly skilled talent. This evolution positions us to deliver greater value through flexible delivery structures and differentiated expertise. Our consulting-led offerings have continued to contribute positively to the overall results of our Technology business, which is further supported by a robust pipeline of qualified opportunities. The integrated approach we have taken in delivering a seamless client experience through a variety of engagement models across various technologies and skillsets is rather uncommon across our industry and has been a key driver to our success. It has also enabled us to slightly enhance our margin profile against a challenging macro backdrop and maintain stability in our average bill rates. Whereas many companies have siloed their staff augmentation and consulting businesses, our integrated approach leverages our deep, long-standing client relationships as the bedrock to greatly enhance the seamlessness of the client experience and ease the buying decision.

The expansion of solutions-based engagements underscores our adaptability and commitment to meeting evolving client needs and evolving our brand in the marketplace. Our consulting solutions business has continued to organically grow over the last three years.

An increasingly important aspect of providing cost-effective solutions is our ability to source highly skilled talent from outside the United States. Our development center in Pune, when combined with robust U.S. sales and delivery capabilities and a high-quality vendor network, enables us to comprehensively address client needs through a multi-shore delivery model. We have begun to see an acceleration in demand for this offering over the last few months, which is an encouraging sign as we head into 2026.

The average bill rate in our technology business has remained steady at roughly $90 per hour over the past three years, even amid macroeconomic uncertainty. The growing mix of consulting-oriented engagements, which typically command higher bill rates and deliver stronger margin profiles and wage inflation in technology skillsets, is offsetting the pressure on our average bill rates from a greater mix of consultants in nearshore and offshore locations. Demand across our core practice areas—data and AI, digital, application engineering, and cloud—continues to be robust, and our pipeline of consulting-led opportunities is expanding. These disciplines are essential foundational pillars for the development and deployment of AI tools, and we expect companies will increasingly require access to specialized talent to achieve their objectives, creating significant opportunities for our Firm.

Our ability to provide flexible talent, whether through traditional staff augmentation and consulting-oriented engagements, positions Kforce to capitalize on growing investments in AI, including data modernization and readiness initiatives, while continuing to support core technology areas that remain active. Our core strength lies in delivering quality talent at scale and adapting to evolving skill demands. By providing cost effective access to the very best professionals on a nearly real-time basis, who can solve complex technological challenges, we ensure our services remain indispensable even as broader industry trends fluctuate. As technology has advanced over the decades, we have consistently evolved alongside it, reinforcing our role as a trusted partner in driving clients' technological progress.

Looking ahead to Q1, with momentum in new engagements building throughout Q4 and carrying into early Q1, we anticipate a seasonal sequential billing day decrease in our Technology business in the low single digits.

Flex revenues in our FA business declined 2.4% year-over-year but saw 5.7% sequential growth in the fourth quarter. This marks the third consecutive quarter of sequential billing day growth after declines over the last several years as we have transformed that business and further focused our efforts organizationally. Our average bill rate of approximately $53 per hour notably improved year-over-year and is reflective of the higher skilled areas we are pursuing. As to our first quarter expectations, despite an expected seasonal sequential billing day decline in the mid-single digits, we expect FA to be up in the mid to high single digits on a year-over-year basis for the first time since the third quarter of 2021. I want to express my appreciation to our teams for their persistence in driving positive momentum in our FA business.

Over the last several years, we have made responsible adjustments to align headcount levels with revenue levels and productivity expectations. Today, we announced further refinements. While taking these actions is always difficult, we have aligned our support infrastructure to current revenue levels and continue to prioritize the retention of our most productive associates while making targeted investments to ensure we are well-positioned to capitalize on accelerating market demand. Despite these reductions, we believe we have sufficient capacity to absorb increased demand without adding significant resources; particularly as we enable AI solutions to gain greater efficiency. We remain committed to investing in our consulting solutions business as well as our other strategic initiatives that we believe will drive long-term growth in both revenues and profitability. The actions taken provide additional confidence in continuing these investments while allowing the firm to maintain its previously stated profitability objectives.

We are energized by the opportunities ahead and are confident in our ability to continue delivering exceptional results and sustaining the recent momentum. Our success reflects the deep trust and partnership we share with our clients, candidates, and consultants — relationships that continue to drive our growth and innovation.
I will now turn the call over to Jeff Hackman, Kforce's Chief Financial Officer.

JEFF HACKMAN, CHIEF FINANCIAL OFFICER

In my commentary, I will discuss certain non-GAAP items. The non-GAAP financial measures provided should not be considered as a substitute for or superior to the measures of financial performance prepared in accordance with GAAP. They are included as additional clarifying items to aid investors in further understanding the impact of certain costs on our financial results. Our press release provides the reconciliation of differences between GAAP and non-GAAP financial measures.

Revenues for fiscal 2025 of approximately $1.33 billion decreased roughly 5% year-over year. GAAP earnings per share of $1.96 included fourth quarter 2025 charges of $0.13 related to refinements in our organizational structure and certain other costs that further streamline our operating costs, net of the related tax effects. Adjusted earnings per share for fiscal 2025 of $2.09 declined approximately 22% year-over-year.

Fourth quarter revenue of $332 million exceeded our expectations and GAAP earnings per share was 30 cents. Adjusted earnings per share of 43 cents fell below the midpoint of our range of guidance due to higher healthcare costs and performance-based compensation given higher levels of financial performance.

Overall gross margins of 27.2% were down 50 basis points sequentially, due to a decrease in Flex margins principally due to higher healthcare costs, normal seasonal declines around the Holidays and a lower mix of Direct Hire revenues. On a year-over-year basis, gross margins grew 20 basis points as improvements in Flex margins more than offset a lower Direct Hire mix.

Our teams have done a nice job working effectively with our clients to recognize the value of our services from a pricing standpoint. Notably, Flex margins in our technology business increased 40 basis points year-over-year due to improved bill / pay spreads and declined 40 basis points sequentially due to higher healthcare costs and normal seasonal declines around the Holidays. The higher healthcare costs experienced in the fourth quarter were on the heels of the third quarter where healthcare costs were significantly lower than we anticipated. For the full year, healthcare costs were essentially as expected, though the inter-quarter timing of costs is difficult to predict. We continue to refine our program through our annual renewal process to mitigate significant cost escalation and don't expect any meaningful negative impact on margins in 2026. As we look forward to Q1, we expect overall Flex margins to decline as a result of normal seasonal payroll tax resets, but for spreads to be relatively stable with fourth quarter levels. We expect the seasonal payroll tax resets to impact Flex margins by 60 bps in our Technology business and 120 bps in our FA business.

Overall SG&A expense as a percentage of revenue, on a GAAP basis, was 24.2%. As adjusted for the previously mentioned charges, SG&A expense as a percentage of revenue of 23.2% increased 120 basis points year-over-year, primarily driven by deleverage from the lower revenue and gross profit levels. We have made appropriate adjustments to headcount levels, refinements in our organizational structure, and made decisions in the fourth quarter to further reduce certain other operating costs. With that said, going forward, we expect to continue to make targeted investments in our sales and solutions capabilities while maintaining investments in advancing key enterprise initiatives that, while impacting near-term SG&A, is expected to create operating leverage and are critical to our long-term strategy. As we have stated on prior calls, we anticipate beginning to realize benefits from our Workday implementation more significantly in 2027 post go-live.

Our operating margin on a GAAP basis was 2.6% and, as adjusted for the charges, operating margin was 3.6%. Our effective tax rate in the fourth quarter was 33.6% and slightly exceeded our expectations due to true ups in certain federal income tax deductions.

During the quarter, we remained active in returning capital to our shareholders, with $14.1 million in capital being returned through dividends of $6.7 million and share repurchases of approximately $7.4 million. We continue to maintain a strong balance sheet with conservative leverage relative to trailing twelve-month EBITDA. Looking ahead, we expect to continue to return any excess cash generated beyond our capital requirements and quarterly dividend program to be directed toward share repurchases while maintaining reasonably stable debt levels. Our dividend remains an important driver for returning capital to shareholders, the level of which leaves ample room for continued share repurchases. Our

Board of Directors recently approved an increase to our dividend, which marks the 7th consecutive year of increases. We continue to maintain significant capacity under our Credit Facility.

Operating cash flows were $19.7 million and our return on equity remains at approximately 30%.

The first quarter has 63 billing days, which is one additional day than the fourth quarter of 2025 but the same as the first quarter of 2025. We expect Q1 revenues to be in the range of $324 million to $332 million and earnings per share to be between 37 and 45 cents. The effective income tax rate for the first quarter is expected to be 29%, which is higher than usual due to lower expected income tax credits and higher non-deductible compensation. While there may be some volatility in certain quarters in 2026, we expect that the effective tax rate for 2026 also could approximate 29%. Our guidance assumes a stable operating environment and excludes the potential impact of any unusual or non-recurring items.

As a result of the refinements in our headcount and organizational structure along with other decisions to reduce our operating costs, we expect the annualized benefit from these actions to be approximately $7 million, or roughly $0.30 per share. Our guidance for the first quarter contemplates a partial benefit from these actions given the timing of the events though is more muted in our guidance because of greater performance-based compensation given our recent operating trends, the higher effective income tax rate, and certain other non-recurring investments we are making in the first quarter of 2026. Given the actions taken, we expect to improve operating margins in 2026, even without improvement in revenue trends, which if trends accelerate, provides additional operating leverage.

We remain confident in our strategic position and our ability to deliver above-market results while continuing to invest in initiatives that drive long-term growth and support our profitability objective of achieving approximately 8% operating margin when annual revenues return to $1.7 billion, which is more than 100 basis points higher than when that level was achieved in 2022. On behalf of our entire management team, I want to extend our sincere appreciation to our teams for their outstanding efforts.