Q1 2026
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 expectations for year-over-year growth in the second quarter of 2026, and the Firm's guidance for the second 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, government shutdowns, other geopolitical events and 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 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, 2025, 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, 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 extremely pleased to have successfully driven results in the first quarter that again exceeded our expectations from both a revenue and profitability perspective. The momentum that we carried into the beginning of the year has continued to strengthen, resulting in year-over-year revenue growth for the first time in several years. As Jeff Hackman will cover in more detail, our trajectory has continued to improve in the first month of the second quarter, which we expect will lead to accelerating year-over-year growth in Q2 in the mid-single digits. I could not be prouder of the tenacity of our people or more appreciative of the trust that our world-class clients are increasingly placing in Kforce to drive more meaningful and valuable engagements with them. Our go-to-market approach, which was born out of our integrated strategy efforts, appears to be paying dividends. Our people continue to operate more fully as One Kforce, leveraging the Firm's capabilities across all service offerings.

While recent economic data continues to point to a generally softer labor market in professionally oriented roles, our performance reflects strong execution and a clear shift we're seeing across our customer base. However, several of the leading indicators we track, which have historically signaled strengthening demand for our services, are improving. Companies are increasingly turning to flexible talent strategies to move forward on a significant backlog of high-priority technology initiatives, especially in the age of artificial intelligence where CEO's remain cautious to add permanent headcount. At the same time heightened geopolitical uncertainty, including the conflict involving Iran, has contributed to significant volatility in global energy markets, resulting in sharp price increases across oil, gasoline, natural gas and electricity. In this environment, clients are focused on agility. We believe uncertainty is reinforcing the value of flexible workforce solutions as organizations seek to adapt while they gain greater clarity around geopolitical developments and the longer-term impact of emerging technologies on their businesses and talent strategies. Against this backdrop, we remain optimistic that our recent operational data and several consecutive quarters of improving revenue performance reflect a more typical historical cyclical pattern consistent with prior demand recoveries.

As we have stated, we have witnessed and participated in transformative technology shifts before, such as personal computing, the emergence of the internet, the mobile revolution, and the move to cloud computing. Each of these periods of technological change impacted labor markets. Yet over time, workers, including technologists, have continued to upskill and retrain themselves to improve the relevancy of their skillsets as technology has evolved. Over the last 50 plus years we have placed skillsets that included mainframe operators, COBOL programmers, database administrators, web developers, mobile application developers, DevOps engineers, cloud architects, UI/UX designers, data scientists, data engineers, AI platform engineers, AI product managers, prompt engineers, etc. The point is that tasks change or in some cases completely go away, job titles change, skill composition shifts, and at the end of the day new roles are created, new businesses are spurred, new industries are created resulting in a net positive amount of technology-oriented job growth as a result of society's unquenchable thirst for technology advancement and productivity gains. We believe generative AI, and its offshoots into agentic AI and cognitive AI, is in the early stages of evolution and may just be starting to align with the historical patterns we have experienced. Recruiting the right in-demand talent, assembling effective teams, and implementing targeted enterprise-level initiatives are crucial for organizations seeking to successfully integrate and leverage these new tools to maintain a competitive advantage. Our strong position enables us to grow our client portfolio and bring on new client opportunities, thereby sustaining our history of consistent above-market performance fueled by client share growth ultimately strengthening the foundation that delivers enduring value to shareholders.

Our business model is intentionally simple, organically driven, and intensely focused. By limiting inorganic growth within our existing service areas, we protect our teams from unnecessary complexity and distractions. That focus allows our people to do what they do best, build deep relationships, and partner with clients to solve their most critical business challenges. Our strategy has been thoughtfully refined over time, not overhauled because it has proven durable. That focus, combined with a unified and resilient culture, is a real differentiator for us and central to our consistent market outperformance.

As our operating trends continue to improve, we're also making great progress on our key strategic initiatives, including the implementation of Workday, scaling of our India Development Center, advancing our internal AI initiatives and continued refinement and execution of our integrated strategy efforts. Further to the point, we are pleased to have recently announced the establishment of our AI Innovation Studio within our Headquarters and associated AI pods in India to support evolving client needs.

As I conclude my remarks, I want to acknowledge the outstanding people who make up the Kforce team. I'm incredibly proud of the fortitude, adaptability, and dedication demonstrated across the Firm – particularly given the challenging business environment over the past three years. I'm grateful every day for the opportunity to work with colleagues who bring this level of skill and commitment. Thanks to their efforts, we are well-positioned strategically, and I feel confident in our trajectory and 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 $330.4 million represented a return to overall revenue growth for the first time since the fourth quarter of 2022. Encouragingly, we were successful at delivering year-over-year Flex revenue growth in both our Technology and FA businesses. The first quarter is typically characterized by sequential revenue declines on a billing day basis due to calendar year assignment ends. That is a very normal part of our business and the broader sector. There has been a lot of discussion about our ability and the sector's ability to deliver revenue growth given the much-speculated demand impact of AI tools and technologies. A data point that we think is particularly relevant is that our first quarter performance was meaningfully better than the average sequential decline over the past 15 years, prior to AI becoming an hourly topic of conversation. Our results were driven by a combination of lower levels of project ends and a faster than normal rebound in new assignment activity. Further to this point, as Jeff Hackman will cover in his prepared remarks, the midpoint of our guidance contemplates year-over-year growth in Q2 of approximately 4%.

While clients continue to take a measured approach to technology spending amid an uncertain macroeconomic environment, investments in critical initiatives, particularly in data, digital, and platforms that underpin long-term AI strategies, are actively being prioritized by our clients. Our recent momentum and operating trends suggest clients are increasingly green-lighting long postponed initiatives through the use of flexible workforce solutions that are strategic to their needs and don't have an easy or obvious AI-related solution. Importantly, improvements in our business have been broad-based, with positive trends evident across a wide range of industries within our client portfolio and utilizing a wide range of skill sets. While we certainly continue to see growth in AI-related, data, digital and cloud projects, we are also seeing a ramp in demand for platform and application development roles and projects. The demand for technology is very broad-based.

We continue to make targeted organic investments in our consulting solutions business to meet rising client demand for cost-effective access to highly skilled talent. These investments are strengthening our value proposition by expanding flexible delivery models and deepening differentiated expertise. As a result, our consulting-led offerings are positively contributing to the performance of our Technology business, supported by a strong pipeline of high-quality opportunities.

Our fully integrated delivery model, offering a seamless client experience across consulting, project-based work, and staff augmentation spanning multiple technologies and skill sets, remains a clear point of differentiation in the market. We have seen clear signs of improving demand across the entire spectrum of our service models. This integrated approach has been a core driver of our Technology performance, enabling meaningful gross margin expansion over the past year despite a challenging macroeconomic backdrop while maintaining stability in average bill rates. We leverage long-standing client relationships as the foundation of our model and focus on simplifying the buying process and accelerating decision making.

An increasingly important component of our ability to deliver cost-effective solutions is our global talent strategy, including access to highly skilled professionals outside the United States. Our development center in Pune, combined with strong domestic sales and delivery capabilities and a high-quality vendor network, enables a scalable, multi-shore delivery model that comprehensively addresses client needs. Demand for this channel continues to accelerate, reinforcing its strategic importance and strengthening our confidence in the durability of this model. We now have a multi-shore delivery model being utilized within 60% of our 25 largest clients.

We have been able to maintain a stable average bill rate of approximately $90 per hour over the last three years while building a higher-quality higher-margin revenue stream. The increasing mix of consulting-oriented engagements, which command higher bill rates and significantly stronger margin profiles, along with disciplined management of wage inflation in core technology skill sets, has effectively offset the downward pressure on bill rates from a greater mix of consultants based outside of the U.S.

Demand across our core practice areas, including data and AI, digital, platform engineering, and cloud, remains strong, and our pipeline of consulting-led opportunities continues to expand. These disciplines represent foundational capabilities for the development and deployment of AI solutions, and we believe organizations will increasingly require access to specialized talent to execute their strategies, creating meaningful and durable growth opportunities for our Firm.

Over the last several years, we have made responsible adjustments to align headcount levels with revenue levels and productivity expectations. As noted in last quarter's call, we implemented further refinements to our organization in the first quarter. Despite these actions, we believe we have sufficient capacity to absorb the near-term improvements in demand levels without the need for significant incremental resources, particularly as we continue to enable greater efficiency through our use of AI solutions. We remain committed to investing in our consulting solutions business and other strategic initiatives that we believe will drive long-term revenue and profitability growth. The actions taken in the quarter provide increased confidence in our ability to continue making these investments while maintaining our previously stated profitability objectives.

We are energized by the opportunities ahead and confident in our ability to sustain recent momentum while continuing to deliver strong results. Our success reflects the deep trust and long-standing partnerships we have built with our clients, candidates, and consultants. These are relationships that continue to serve as the foundation for our growth and innovation.

I will now turn the call over to Jeff Hackman, Kforce's Chief Financial Officer.

JEFF HACKMAN, CHIEF FINANCIAL OFFICER

First quarter revenue of $330.4 million exceeded our expectations and earnings per share of 46 cents was above the high end of our guidance. Our results for the first quarter demonstrate our ability to grow revenues while also driving a higher quality of business as evidenced by better-than-expected gross margins in the quarter as well as generating enhanced operating leverage.

Overall gross margins of 27.3% were up 60 basis points on a year-over-year basis due to expanding Flex margins, which more than offset the impact from lower Direct Hire mix. Sequentially, gross margins were up 10 basis points in a quarter when they were expected to be seasonally down as improved Flex spreads and favorable healthcare costs more than offset the seasonal payroll tax resets.

The success we have had expanding our margin profile can be attributed to our teams pricing more effectively with clients to more appropriately reflect the value of our services and the benefit of higher quality business that we have been strategically driving. We have discussed that solutions-oriented engagements have an appreciably higher margin profile. As that mix has continued to improve, that has driven margin improvement. In addition, Dave mentioned that the mix of consultants working outside of the U.S. both through our nearshore partners and through our India business continues to grow. We have seen higher margins from our business abroad, which although it's had a relatively small positive impact on current margins, it could continue to provide upward opportunity if the overall mix were to continue to grow. As we look forward to Q2, we expect overall Flex margins to improve sequentially due to the alleviation of higher seasonal payroll taxes, but for spreads to be relatively stable with first quarter levels.

Overall SG&A expense as a percentage of revenue of 23.2% increased 40 basis points year-over-year, which was primarily driven by greater performance-based compensation due to the higher levels of financial performance we have been successful delivering in 2026. As discussed on our last call, the refinements we have made to headcount levels have provided incremental operating leverage, and we are continuing to make targeted investments in our sales and solutions capabilities while also maintaining investments in advancing key enterprise initiatives. While this will continue to impact near-term SG&A levels, we are beginning to see the benefits of these investments in our productivity metrics and expect continued improvements to create future operating leverage. As we have stated on prior calls, we anticipate beginning to realize benefits from our Workday implementation more significantly in the second half of 2027.

Our operating margin was 3.6% and our effective tax rate in the first quarter was 30.2%.

During the quarter, we remained active in returning capital to our shareholders with $18.6 million in capital being returned through dividends of $6.8 million and share repurchases of approximately $11.8 million. We were incrementally opportunistic with respect to share repurchases in the first quarter and utilized our strong balance sheet during a typically low cash flow quarter given what we believe is a disconnect between our operating trends and demand environment and the valuation of our stock. This resulted in an increase in net debt to $90.2 million from $64.3 million. Against trailing twelve-month EBITDA, our leverage of 1.2x continues to be relatively conservative.

Looking ahead, we expect to continue returning excess cash generated beyond our capital requirements and quarterly dividend to shareholders through share repurchases, while being prudently opportunistic in repurchasing our shares.

Operating cash flows were negative $4.1 million due to higher cash outflows in the first quarter associated with the actions we announced on our last call in addition to the timing of cash collections, which we expect to normalize in the second quarter. We expect positive operating cash flows of approximately $20 million in Q2. Our return on equity remains at approximately 30%.

The second quarter has 64 billing days, which is one additional day than the first quarter of 2026 but the same as the second quarter of 2025. We expect Q2 revenues to be in the range of $344 million to $352 million and earnings per share to be between 67 and 75 cents. The effective income tax rate for the second quarter is 31%. The midpoint of our guidance of $348 million in revenue is up approximately 4% on a year-over-year and sequential basis, per billing day. Notably, earnings per share at the midpoint of guidance reflect a 20% increase year-over-year. Our guidance assumes a stable operating environment and excludes the potential impact of any unusual or non-recurring items.

We feel strongly about our strategic position and our ability to deliver above-market results while continuing to invest in initiatives that drive long-term growth. We are increasingly confident in our ability to generate at least 8% operating margin when annual revenues return to $1.7 billion, which is more than 100 basis points higher than when that revenue 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.