Q2 2026
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 traction of our go-to market approach and the Firm's guidance for the third 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", "appear" 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 delivered results in the second quarter that again exceeded our expectations from both a revenue and profitability perspective. Overall revenues positively inflected in the first quarter of 2026, meaningfully expanded in the second quarter, and our guidance for the third quarter contemplates continued sequential improvement. As a point of reflection, the year-over-year growth rate in Q2 for our Technology business was at its highest level since the end of 2022, and our sequential improvement was the best we've experienced in four years. I am incredibly proud of the determination of our people and deeply appreciative of the trust our world-class clients continue to place in Kforce as we help them advance more meaningful, high value engagements. Our go-to-market approach, shaped by our integrated strategy efforts, is clearly gaining traction. Across the Firm, our people are operating more fully as One Kforce, bringing the full breadth of our capabilities to bear across our service offerings.

The revenue inflection that we have experienced in our business in the first half of 2026 is consistent with the improving macro demand environment for talent as evidenced by indicators such as the ISM Services PMI, ASA Staffing index and the SIA / Bullhorn staffing indicator that have strengthened over the last several months. In addition, overall U.S. job growth has moderated in recent months, but recent gains have been increasingly concentrated in professional and business services, which are far more aligned to Kforce's end markets than growth drivers over the past couple of years. Our results reflect disciplined execution and a meaningful shift in client behavior. Organizations are increasingly turning to flexible talent models to advance large backlogs of high-priority technology initiatives, particularly as AI accelerates transformation, and CEOs remain measured in adding permanent headcount. Broader uncertainty, including geopolitical tensions and related volatility in global energy markets, has further reinforced the need for agility. We believe these dynamics highlight the value of flexible workforce solutions as clients adapt to near-term uncertainty while assessing the longer-term implications of emerging technologies on their businesses and talent strategies. As a result, we remain encouraged that our operating trends and consecutive quarters of revenue improvement are consistent with a more typical cyclical demand recovery.

Kforce has a very rich 64-year operating history and, as such, we have witnessed and participated in major technology shifts before, including personal computing, the emergence of the internet, the mobile revolution, and the move to cloud computing. Each of these periods affected labor markets, but over time, workers, and specifically technologists, adapted by upskilling and retraining as technology evolved resulting in a net increase of technology related roles.

From an AI perspective, we continue to take a disciplined approach both internally and externally. Internally, we are evaluating our core business processes and selectively deploying AI-enabled solutions where we see the greatest opportunity to enhance productivity, improve the associate and client experience, and drive operating leverage. Externally, we continue to educate and train our sales associates and leaders while adding specialized AI expertise within our Consulting Solutions organization. We view AI as one of the most significant technology shifts of the last several decades; however, we believe enterprise adoption remains in the early stages and is likely to follow a progression similar to prior transformative technology cycles. While much of the current focus remains on the underlying technology, our experience suggests the greatest value creation will come from effectively integrating AI into business processes and operating models. Successful adoption will require organizations to align strategy, talent, data, governance, and change management capabilities in order to translate AI potential into measurable business outcomes. As a result, we believe demand will continue to grow for highly skilled professionals and talented teams who can help organizations design, implement, and scale AI, data, and digital transformation initiatives. Through our technology talent solutions and consulting capabilities, we believe Kforce is well positioned to help clients navigate this transformation, accelerate modernization efforts, and realize the value of their technology investments creating a competitive advantage. Regardless of how quickly the underlying technology evolves, organizations will continue to require skilled professionals and teams of individuals who can bridge the gap between innovation and execution. We believe this dynamic supports the long-term demand environment for technology talent and consulting solutions that are central to our strategy.

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 complexities 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.

Before I hand it off to Dave, I'm grateful every day for the opportunity to work alongside such talented and dedicated colleagues. Their passion, expertise and commitment continue to strengthen our business, advance our enterprise initiatives, and position us well for the future. Because of their effort, I remain confident in our strategy, our momentum, 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 $349.3 million represented overall revenue growth of 4.5% on a year-over-year basis and 4.1% on a sequential billing day basis, both of which represent levels not seen in nearly four years. There has been a lot of discussion about whether we and the broader sector can continue to deliver revenue growth given the much-speculated negative demand impact of AI tools and technologies. Encouragingly, we have been successful at delivering three consecutive quarters of revenue growth that has returned to pre-pandemic – and, thus, pre-AI advancements – norms. This growth is being seen in both our consulting revenues and our traditional staff augmentation business. The strength in Direct Hire revenues, across both our Technology and FA businesses, was also a positive contributor for us in the second quarter, further signaling the desire for companies to add critical long-term talent. Our client portfolio is exceptional, our strategic direction is clear and unchanged, and our culture is unmatched. We recognize that there is still uncertainty in the geopolitical and macroeconomic environment. While we have been successful in our go-to-market strategy, leveraging the progress made with our integrated strategy efforts, clients continue to take a measured approach to technology spend. With that said, our results and operating trends suggest that they are actively prioritizing critical initiatives in areas such as data, digital, and the platforms that underpin AI strategies, among other areas that may have previously been postponed and that we are taking client and overall market share.
Importantly, the improvement in our business has been broad-based, with positive trends evident across a wide range of industries and skill sets within our client portfolio. We continue to see growth in AI-related, data, digital, and cloud projects, while also experiencing a ramp in demand for platform and application development roles and projects. Overall technology demand remains broad, with eight of our top ten industries showing sequential growth and similar performance on a year-over-year basis.

We continue to make targeted organic investments to fortify the depth of expertise in our consulting solutions business to meet rising client demand for cost-effective access to highly skilled talent. Our consulting-led offerings are contributing positively to the performance of our Technology business, supported by an increasing volume of opportunities.

Our fully integrated sales and delivery model, which also leverages a combination of onshore, nearshore and offshore talent from our Pune delivery center, addresses a growing need in the market, offering clients a seamless experience across consulting, project-based work, and more traditional staffing assignments spanning multiple technologies and skill sets. We are seeing clear signs of a healthy demand environment across the full spectrum of our service offerings, as clients are increasingly receptive to discussions on potential opportunities, many of which are focused outside the CIO function, as evidenced by a meaningful year-over-year improvement in client visits. Indicators in our business that support this and suggest a continuation of sustained strong demand, in addition to meaningful gross margin expansion, include approximately 18% year-over-year improvement in both job orders and in new assignments starts in Q2. Though June and early July are typically slightly slower months for front end activities and new starts due to increased client PTO, more normal activity levels have resumed over the last two weeks and these indicators suggest a healthy demand environment that is conducive to driving continued sequential revenue growth in Q3, which is contemplated in our guidance. The net is that we are driving disproportionately better results than the macro industry readings would suggest, and the forward momentum in the business is good.

We have maintained a stable average bill rate of approximately $90 per hour over the last four years while continuing to build a higher-quality, higher-margin revenue stream. This reflects the growing mix of consulting-oriented engagements, which command higher bill rates and stronger margin profiles, as well as disciplined management of wage inflation in core technology skill sets. Together, these factors have effectively offset the bill rate pressure associated with a greater mix of consultants based outside the U.S. Frankly, we would expect to continue seeing stability in our average bill rate as we look forward with a potential for slight enhancements as technology labor continues to upskill in the face of advancements in AI.

Demand remains strong across our core practice areas, including data and AI, digital, platform engineering, and cloud. The number of opportunities in our consulting solutions offering continues to expand and will be the primary driver for our sequential growth in Q3. These disciplines are foundational to the development and deployment of AI solutions, and we believe organizations will increasingly require specialized talent to execute their strategies. This creates meaningful and durable growth opportunities for our Firm. Looking forward to Q3, we expect the pace of overall Technology activities to continue to improve along historical pre-pandemic levels and for revenue to improve sequentially in the low single digits, which will result in further improvement in our year-over-year performance. Over the last several years, we have made responsible adjustments to align headcount levels with revenue levels and productivity expectations. We believe we have sufficient capacity to absorb near-term improvements in demand without requiring significant incremental resources, particularly as we continue to drive greater efficiency through AI-enabled solutions. At the same time, we remain committed to investing in our consulting solutions business and other strategic initiatives that we believe will support long-term revenue and profitability growth.

We remain energized by the opportunities ahead and confident in our ability to sustain recent momentum while continuing to deliver strong results that exceed overall market averages. Our success is grounded in the deep trust and long-standing partnerships we have built with our clients, candidates, and consultants. These relationships remain the foundation of our growth, innovation, and long-term success.

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

JEFF HACKMAN, CHIEF FINANCIAL OFFICER

Second quarter revenue of $349.3 million was up 4.5% on a year-over-year basis and earnings per share of 73 cents was up approximately 24% year-over-year. Our second quarter results not only demonstrate our ability to drive revenue growth in the face of secular growth concerns but were parlayed with stronger than expected gross margins and enhanced profitability levels.

Overall gross margin was 28.5%, up 140 basis points year-over- year, driven by expanding Flex margins and stronger than expected Direct Hire revenues. Sequentially, gross margin increased 120 basis points, reflecting improved Flex spreads, a stronger-than-expected Direct Hire mix, and a typical seasonal recovery from Q1 payroll tax resets. The enhanced gross margin profile has been a true stand-out for us, especially as revenues have inflected positively. This success reflects the value we deliver to our clients and our focus on improving the quality of our business mix. As discussed previously, solutions-oriented engagements along with our offshore business typically carry higher margins, and growth in these areas have been an important contributor to our overall margin expansion.

Looking ahead to the third quarter, we expect bill pay spreads within our Flex gross margins to remain stable sequentially, reflecting the continued benefits of our pricing discipline and business mix strategy. SG&A expense was 22.7% of revenue in the quarter, an increase of 50 basis points year over year. The increase was primarily driven by higher performance-based compensation, which is rebounding from historically low levels, reflecting the strong financial results we achieved thus far in 2026. While the initial positive inflection of revenues and strength in gross profit is resulting in some SG&A deleverage, we do not expect this to perpetuate at even higher revenue levels. In fact, as revenues grow, improving productivity levels will create meaningful improvements in operating leverage as the business scales.

We are beginning to see tangible benefits through improved productivity metrics across the organization. As these initiatives mature, we expect the resulting efficiency gains to drive additional operating leverage over time. While we are likely to see some elevated non-cash depreciation and amortization expense in early 2027 post go-live from our Workday implementation, consistent with our prior commentary, we continue to anticipate realizing more meaningful benefits towards the end of 2027 and more fully into 2028, which should further enhance operational effectiveness and support long-term margin expansion.

Our operating margin was 5.4% and our effective tax rate in the second quarter was 30.6%.

On a year-to-date basis, we have experienced negative operating cash flows of $6.7 million, which is consistent with historical trends in periods where revenues have meaningfully and positively inflected. We expect to resume generating positive operating cash flows in the second half of 2026 as we monetize the higher levels of accounts receivable. We continue to carry a very high-quality accounts receivable portfolio and days sales outstanding was stable with prior year levels. During the quarter, we continued to return capital to shareholders, with $9.6 million distributed through dividends of $6.7 million and share repurchases of approximately $2.9 million. We were more aggressive with our repurchase activity in the first quarter of 2026, leveraging the strength of our balance sheet given what was believed to be and has proved to be a disconnect between our operating performance and demand trends and the current valuation of our stock.

As a result, net debt increased to $106.8 million at quarter-end from $90.2 million in the prior quarter. Despite this increase, our balance sheet remains strong, with leverage of approximately 1.4 times trailing twelve-month EBITDA, which we continue to view as a conservative level.

Looking ahead, we expect to continue balancing returning excess cash generated beyond our capital requirements and quarterly dividend commitments to shareholders through share repurchases and paying down debt.
Our return on equity remains strong at approximately 30%, underscoring the effectiveness of our capital allocation strategy and our ability to generate attractive returns while continuing to invest in long-term growth initiatives.
Turning to our outlook, the third quarter includes 64 billing days, consistent with both the second quarter of 2026 and the third quarter of 2025. We expect third-quarter revenue to be in the range of $349 million to $357 million and earnings per share to be between 71 and 79 cents. Our guidance assumes an effective tax rate of approximately 30%.

At the midpoint of guidance, revenue is expected to increase approximately 1.1% sequentially and 6.1% year over year. Notably, earnings per share at the midpoint of guidance represents a 19% increase compared to the prior year.
Our outlook assumes a stable operating environment and excludes the impact of any unusual or non-recurring items.
We remain confident in our strategic position and our ability to deliver growth that outpaces the broader market.
The progress we have made in improving the quality of our business, expanding margins, and enhancing operating leverage reinforces our confidence in the earnings power of the company as market conditions continue to improve.
We also remain confident in our ability to generate an operating margin of at least 8% when annual revenue returns to $1.7 billion. The 8% annual operating margin expectation represents more than 100 basis points of improvement compared to the margin profile we achieved the last time we operated at that revenue level in 2022. As a reference point, second quarter operating margin of 5.4% is notably higher than the 4.5% operating margin in Q2 2020, when revenues were at approximately the same level. We believe this demonstrates the benefits of our disciplined execution, improved business mix, pricing strategy, and investments in our sales, solutions, and enterprise capabilities.

On behalf of the entire management team, I would like to thank our associates for their dedication, hard work, and continued commitment to serving our clients. Their efforts have been instrumental in delivering our strong results and positioning the company for continued success in the future.