Sidoti & Company, LLC
Member FINRA & SIPC

# GEE Group, Inc. (JOB)

## Initiate Coverage Of GEE Group, Inc. With A $2 Price Target

| | F2020 | F2021 | F2022E | F2023E |
|---|---|---|---|---|
| Dec. | ($0.27) | ($0.02) | $0.02A | $0.02 |
| Mar. | (0.38) | (0.11) | 0.01 | 0.01 |
| June | 1.23 | 0.01 | 0.02 | 0.02 |
| Sep. | (0.24) | 0.02 | 0.02 | 0.03 |
| **EPS (FY)** | **($0.83)** | **$0.01** | **$0.06** | **$0.08** |
| EPS (Cal.) | $0.58 | ($0.06) | $0.06 | $0.09 |
| **P/E (FY)** | | | 8.8x | **6.4x** |
| P/E (Cal.) | | | 8.5x | 5.7x |

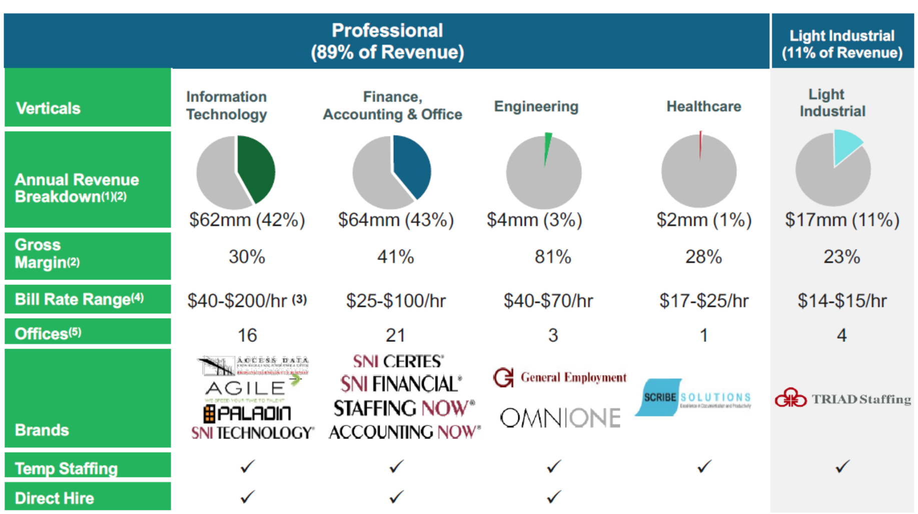
Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2020-F2022E excludes $0.31, $0.01 and $0.12 in respective one-time items. F2020-F2023E includes a respective $0.07, $0.02, $0.01 and $0.01 in stock-based compensation expense. Sum of quarterly EPS may not equal full-year total due to rounding, change in tax rate and/or share count. NC=Not covered by Sidoti & Company, LLC

| Year | F2014 | F2015 | F2016 | F2017 | F2018 | F2019 | F2020 | F2021 | F2022E | F2023E |
|---|---|---|---|---|---|---|---|---|---|---|
| Rev.(Mil.) | $39.8 | $43.4 | $83.1 | $135.0 | $165.3 | $151.7 | $129.8 | $148.9 | $166.0 | $174.3 |
| GAAP EPS | ($0.46) | ($1.14) | $0.12 | ($0.25) | ($0.74) | ($1.50) | ($1.14) | $0.00 | $0.18 | $0.08 |

***Description:*** GEE Group, Inc.(www.geegroup.com) is a provider of staffing solutions and services. The company specializes in temporary contract staffing services and direct-hire placement services in the United States. GEE operates 27 offices and four virtual sites, located in 11 states, with concentration in Florida, Ohio and Texas. Finance, accounting and office (43% of F2021 revenue) and information technology (42%) are GEE's largest industry-vertical exposures, followed by light industrial (11%), engineering (3%) and Healthcare (2%). Headquarters is in Jacksonville, Florida

**Information technology (IT), finance, accounting, and office exposure provides top-line resiliency, accounting for 85% of GEE Group revenue.** National reach through 27 physical branches and four virtual centers gives GEE a competitive advantage over traditionally local staffing providers. With over 2,300 employees (233 revenue-producing), the company has wholly owned subsidiaries operating under multiple award-winning brands, including its two most recognized, SNI and Agile. Contract and placement services are provided through two segments: professional services, accounting for 89% of F2021 revenue, and light industrial, the remaining 11%. IT (42%) and finance, accounting and office (43%) generated 85% of F2021 revenue totaling $150 million.

Exhibit 1: GEE Group F2021 Revenue Mix




(1) Revenue amounts and GM percentages presented are for the fiscal year ended September 30, 2021. The comparable revenue amounts and percentages for the fiscal year ended September 30, 2020 were: IT $57m (44%), FA&O $49m (38%), Engineering $4m (3%), Healthcare $2m (1%) and Light Industrial $17m (14%), (2) IT, FA&A and Engineering includes direct hire in the business mix, (3) Excludes Paladin non-IT operations, (4) Bill rate ranges are representative, and (5) GEE Group's offices may serve more than one vertical.

Source: Company reports, Sidoti & Company estimates

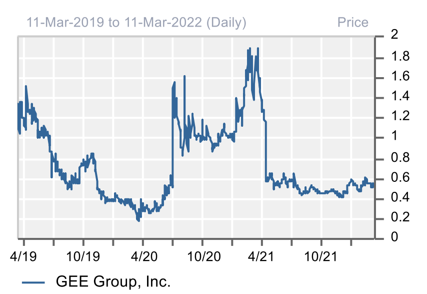
**NR**

Price Target: $2
Price: $0.53
Risk Rating: M

**Marc Riddick, CFA**
(212) 894-3320
(mriddick@sidoti.com)

### Key Statistics

| | |
|---|---|
| Analysts Covering | 1 |
| Market Cap (Mil) | $60 |
| Enterprise Value | $53 |
| 52-Week Range (NYSE Amer.) | 2-0 |
| 5-Year EPS CAGR | 15% |
| Avg. Daily Trading Volume | 1,077,00 |
| Shares Out (Mil) | 115.542 |
| Float Shares (Mil) | 107.985 |
| Insider Ownership | 5% |
| Institutional Holdings | 23% |
| Annualized Dividend | Nil |
| Dividend Yield | N/A |
| FCF Per Share (F2023E) | $0.13 |
| FCF Yield (2023E) | 24.5% |
| Net Cash Per Share (F2023E) | $0.33 |
| Price to Book Value | 0.6x |
| Return on Equity (F2023E) | 7.6% |
| Total Debt to Capital | NA |
| Interest Coverage Ratio | Nil |
| Short Interest % | 0.5% |
| Short Interest Days To Cover | 0.7 |
| Russell 2000 | 1,942 |
| Russell 2000 - Last 12 Months | -15.3% |
| JOB - Last 12 Months | -70.7% |




Source: FactSet Prices



1177 Avenue of the Americas • 5th Floor
New York, NY 10036

Phone: 212-297-0001
www.sidoti.com

**Revenue has nearly quadrupled since F2014 through acquisitions and organic gains, and expansion is likely to continue.** GEE Group is the byproduct of General Employment Enterprises acquiring Scribe Solutions in 2015. After Derek Dewan was appointed CEO, the company embarked on acquisitions that boosted the top-line CAGR to 20.7%. Prior to that, revenue was flat for about 15 years near $39 million The largest deal was the $86 million acquisition of SNI in 2017, which added accounting and finance, IT, and legal expertise, as well as meaningful scale. We project annual organic revenue growth of 5%, with upside from future acquisition contributions.

**GEE Group has experienced management with a history of creating shareholder value.** As Chairman and CEO of MPS Group, Mr. Dewan oversaw IT-led organic revenue growth and the completion of over 80 acquisitions, turning that company into a global staffing leader. MPS generated $2.2 billion in 2008 revenue with a staff of over 20,000 before being sold for $1.3 billion to Switzerland-based Adecco Group. Given the highly fragmented U.S. staffing market and experienced management, we think GEE Group can achieve its long-term goal of $300 million in annual revenue over the next several years.

**Debt-free GEE can be a strong free cash flow (FCF) generator.** GEE Group is in a sturdier balance-sheet position today than the beginning of the pandemic. At the end of 1Q:F22, GEE Group had $12.1 million in cash and no debt, and net cash of $0.10 a share (reversing a steep year-earlier negative balance). We forecast FCF of $13.2 million ($0.11 per share) in F2022 and $15.4 million ($0.13 per share) in F2023, implying FCF yields above 20%. Eliminating more than $125 million of debt since F2019 has played a big part in turning GEE into a cash generator; it has also spotlighted possibilities for the near-term use of cash.

**After abstaining from purchases since the addition of SNI in 2017, cash use possibilities include a resumption of acquisition activity, a new share-repurchase authorization or initiation of a dividend.** GEE sees an active acquisition pipeline, with high margin, complementary services (e.g., increasing IT exposure) as the greatest priority, in our view. Yet the current share price, which was impacted by the April 2021 share offering, is a potential impediment for a company that has historically funded deals combining cash, equity and earnouts.

**We think acquisitions will likely be delayed in the near term.** Management said it's not willing to use stock at depressed levels to fund acquisitions. As capital spending requirements are very modest, excess cash can eventually be used to pursue deals and reinvest in growth initiatives. Stock buybacks are in the discussion phase, with management saying a plan has been considered. GEE paid preferred dividends in the past but has not paid a common dividend.

**Revenue and EPS growth prospects are clearer following pandemic challenges and inflated debt.** GEE Group is off to a strong start to fiscal 2022. Formal guidance hasn't been provided, but management cites "positive business trends" and thinks "mid-single-digit" organic and margin expansion are attainable. We model adjusted EPS of $0.06 (up from $0.01 in F2021), with year-over-year gains led primarily by a $5.8 million reduction in annual interest expense from F2021 to $107,000, which we then see falling to zero in F2023. Spending to support revenue-generating personnel and technology may limit near-term margin. Our adjusted EBITDA estimate of $13.3 million (up from $12.3 million in F2021) implies an 8% margin (20 basis points below F2021). A share-count assumption of 115.5 million mirrors 1Q:F22 and is up from 61.9 million after the F2021 stock offering that allowed GEE to reduce debt by $56 million. Our F2023 adjusted EPS target of $0.08 factors 5% organic revenue growth, 70 basis-point gross margin expansion to 36.3% and improving pricing and operating efficiencies. We estimate SG&A declines to 28.1% of the top line from 28.6%, as we expect the pace of growth investment to stabilize from F2022. We model adjusted F2023 EBITDA of $15.8 million (up from $12.3 million in F2021), with margin expanding to 9% versus 8.2% in F2021.

**We initiate coverage of GEE Group with a moderately risky (M) rating and $2 price target.** Current metrics portray GEE as an undervalued company. The shares trade at a significant discount to peers' forward P/E and EBITDA, and at just 0.6x book value (Exhibit 1, page 5), with little apparent credit given to GEE's debt reduction and profit potential. Our $2 price target applies an 18x multiple to our F2023 EPS estimate of $0.08 and adds projected F2023 year-end cash of $0.33 a share. It also translates to 1.8x our F2023 book value per share estimate of $1.09 and an enterprise value of 12.2x our F2023 EBITDA estimate of $15.8 million. The valuation reflects our expectation for improving fundamentals, strong free cash flow generation and a clean balance sheet.

## Company Overview

GEE Group (NYSE American: JOB) provides personnel services in the United States. Incorporated in Illinois in 1962, GEE is the culmination of employment companies dating to 1893. With a geographic presence in 11 states, GEE operates through 27 physical branches and four virtual centers, with about two-thirds combined in Florida (7), Ohio (7) and Texas (6).

Contract and placement services fall under two segments, professional services (89% of F2021 revenue) and light industrial (11%). IT (42%) and finance, accounting and office (43%) are the largest exposures by vertical, while engineering (3%) and healthcare (2%) are its smallest.

GEE Group is the byproduct of General Employment Enterprises' (GEE) 2015 acquisition of Scribe Solutions (Scribe). Focused on accounting and engineering direct-hire placements, GEE catered to Midwest U.S. clients through Triad Personnel Services, Inc. and Ashley Ellis.

Triad Staffing provides light-industrial contract labor for manufacturing and assembly, as well as general operations. Ashley Ellis specializes in senior and corporate-suite executives and offers engineering and IT contract staffing services, including network infrastructure, applications development and business intelligence. Scribe provides medical solutions in emergency rooms and for physicians, as well as personal-assistant specialization with electronic medical records. GEE Group has grown through acquisitions and organic initiatives.

The October 2015 Access Data Consulting Corporation acquisition added IT consulting and contract staffing services, including project management. GEE began 2016 with the purchase of Dallas, Texas-based Paladin Consulting, which provides resource process outsourcing (RPO), managed service provider (MSP) and vendor management services focused on IT, accounting and human resources.

GEE's largest acquisition took place the following year. The $86 million April 2017 purchase of SNI Companies added accounting and finance, IT, and legal expertise, as well as meaningful scale. SNI generated $114 million in calendar 2016 revenue versus $83 million reported by GEE Group in its F2016. The purchase was funded with $44.7 million in cash, $28.8 million in GEE convertible preferred stock and a $12.5 million convert. A $25 million revolving credit facility and a $48.8 million term loan were used to finance the cash portion of the transaction, pay SNI debts, refinance GEE borrowings, cover deal expense, and provide additional funding.

Acquisitions have since cooled. More recently, the challenges of the Covid-19 pandemic led the company to secure $19.9 million of CARES Act PPP (payroll protection plan) loans in May 2020. A month later GEE Group announced a recapitalization and restructuring that eliminated $47 million in subordinated debt ($19.7 million) and preferred stock ($27.7 million) by issuing 1.8 million restricted shares and through a cash payment of $5.1 million. In 2021, GEE Group raised $57.5 million following an April share offering, with proceeds used to repay the senior revolving credit facility and term loan.

GEE Group was notified of the forgiveness of five of the nine PPP loans in 2H:F21, with the remaining four loans fully forgiven (principal and interest) by the U.S. Small Business Administration in December 2021. At the end of 1Q:F22, GEE Group was debt-free, with net cash of $0.10 per share.

## Management

GEE Group has an experienced management team with a deep history of operational and staffing industry knowledge. The company is eager to move forward from pandemic challenges, with a goal to accelerate revenue and earnings growth through organic gains, acquisition contributions and margin expansion. The Board of Directors is also an asset, in our view, providing a wealth of industry background.

**Derek Dewan is Chairman and Chief Executive Officer.** A CPA and one-time PricewaterhouseCoopers partner, Mr. Dewan has a track record of shareholder-value creation in the staffing industry. Most notably, he was Chairman and CEO of MPS Group, Inc. (formerly AccuStaff), taken public in 1994. Through organic revenue expansion and over 80 acquisitions, that firm became a global staffing leader and was a member of the S&P MidCap 400 under the ticker MPS. MPS group generated $2.2 billion in 2008 revenue, with more than 20,000 employees and 17,000 consultants, before being sold for $1.3 billion to Adecco Group (ADEN-CH).

Mr. Dewan was CEO at Scribe Solutions prior to the April 2015 combination with GEE and became President and CEO of GEE after the deal was completed. His extensive staffing industry background serve GEE Group's growth aspirations well, with significant personal connections often playing a role in initiating growth opportunities.

**Kim Thorpe is Chief Financial Officer.** Mr. Thorpe joined GEE Group in 2018 and was appointed CFO that June. He previously served as CFO with multiple privately held organizations, including Delta Company of Insurance Services, NeuLife Neurological Services, LLC and FPIC Insurance Group, as well as General Electric Capital Corp. (NYSE: GE). Prior to CFO-level assignments, Mr. Thorpe was a partner at both PricewaterhouseCoopers LLP and Coopers & Lybrand LLP.

**Alex Stuckey is Chief Administrative Officer.** Mr. Stuckey joined GEE Group in 2015 and brings diverse experience and meaningful expertise in operations, strategic planning, sales team management and field support. Prior to joining GEE Group, Mr. Stuckey served as CEO of Fire Fighters Equipment Company (privately held). Within the staffing industry, he served as President of Triad Personnel Services, as well as President and Chief Operating Officer with Scribe Solutions.

**Deborah Santora-Tuohy is President of Commercial and Triad Staffing.** She joined GEE Group in 2011 following an acquisition. With over three decades of staffing industry experience, Ms. Santora-Tuohy initially served as Chief Operating Officer before becoming President of the Commercial Division, where she leads a team with sales, operations, marketing, business development, human resources, and legal responsibilities.

**Board of Directors.** The 10-member Board includes six independent directors with a wealth of knowledge, experience and expertise. These directors (in alphabetical order) are Carl Camden, PhD, Matt Gormly III, Bill Isaac, Darla Moore, MBA, Peter Tanous, and Thomas Vetrano. Three of Gee's directors, Mr. Isaac, Ms. Moore and Mr. Tanous, served on the board of MPS Group.

## Growth Strategy

Staffing is a highly fragmented industry, with few entry barriers. Given a large acquisition pipeline, we expect GEE Group's near-term expansion to largely mirror the successful growth strategy executed by Mr. Dewan at MPS Group.

It's possible that management can accelerate the pace of organic and acquisition gains needed to spur long-term revenue and EPS growth by expanding service offerings to new geographies. Organic growth designs are based on enhancing the existing IT-related service offerings, increasing the geographic footprint through both virtual and traditional offices, speeding the pace of new hires and boosting staff productivity. GEE's acquisition plan prioritizes services such as IT and cybersecurity, which are faster growing and produce greater margins.

## Recent GEE Group Results

The Covid-19 pandemic and high debt have weighed on GEE Group's recent performance. Like many staffing and business service peers, GEE began to feel the most drastic effects in mid-March 2020. Sharply reduced customer demand led to a dramatic loss of placements as businesses cut back and closings weighted heavily on accounts in the industrial, finance, accounting and office clerical verticals. IT-related revenue was more resilient, due to increased work-from-home activity, but not enough for GEE to avoid taking steps to protect its bottom line.

GEE Group initiated cost reductions that included a 10% salary cut for full-time employees, temporary furloughs and reduced discretionary spending. The company also secured $19.9 million in funding from the CARES Act. GEE reported an adjusted loss per share of $0.83 in fiscal 2020. Net revenue fell 14% year over year to $129.8 million, saddled by a 30% slump in 3Q:F20 and a 20% decline in 4Q:F20. Adjusted EBITDA of $6.1 million translated to a 4.7% margin, down 300 basis points from F2019.

Amid the pandemic, management also improved the capital structure with the full elimination of subordinate debt and preferred stock totaling $47.4 million, in exchange for a $5.1 million cash payment and 1.8 million restricted shares. GEE Group also took a goodwill impairment charge of $8.9 million related to Covid-19 effects on acquired-company operations during the pandemic.

F2021 marked a significant improvement on all fronts, as pandemic effects began to moderate. GEE reported adjusted EPS of $0.01, spurred by 14.7% year-over-year net revenue growth. Virtually all revenue growth was in 2H:F21 against Covid-19-affected comparisons. Better operating leverage and revenue mix led adjusted EBITDA margin to widen 350 basis points to 8.2%. Last year's mix tilted to faster-growth and higher-margin service offerings, such as IT. Some practice areas, such as office support and light industrials, were slower to recover, due to labor shortages, government subsidies and the omicron variant delaying in-office work.

The balance-sheet cleanup accelerated in 3Q:F21 with the completion of a share offering, where proceeds were used to repay $56 million of outstanding debt averaging an approximate rate of 11%. Also, by the end of 3Q:F21, five of the nine PPP loans totaling $3.4 million were forgiven. In December 2021, GEE said its remaining PPP loans totaling $16.7 million were also fully forgiven, officially making GEE debt-free. F2021 interest expense was $5.9 million versus $12.2 million in F2020.

## Earnings Outlook

Our model reflects average annual growth rates of 8.2% for revenue. GEE Group provided encouraging commentary with 1Q:F22 results, but refrained from formal guidance, instead using broader terms like "solid business trends" and saying it could attain "mid-single-digit" organic growth. Reported adjusted EBITDA margin is moving in the right direction; our expectation of 9% in F2023 compares with 8.2% in F2021 and 8% projected in F2022.

**F2022:** Our estimate for adjusted EPS of $0.06 (up from $0.01 in F2021) is based on revenue of $166 million, which represents 11.5% year-over-year growth. Given the elimination of debt during 1Q:F22, we forecast interest expense of $107,000 in F2022 versus $5.9 million reported in F2021.

GEE has relatively easy comparisons in the first half of the fiscal year, before they become more difficult in the back half, given the recovery of hiring trends in July-December 2021. As such, we forecast a sequential slowdown in top-line gains from 23.7% in 1Q:F22 to 12% in 2Q:F22 and 6% each in 3Q:F22 and 4Q:F22.

Margin comparisons are against F2021 results that had pandemic-driven cost savings measures fully in place. We think the pace of investment in both revenue-generating personnel and technology could lead to modest pressure. However, we model gross margin improvement to 35.6% in F2022 from 35.3% a year ago as the revenue mix and pricing improve. Our SG&A spending scenario of an increase to 28.6% of sales from 28% in F2021 is due to additional investment outlays in the first half of the fiscal year. On the 4Q:F21 conference call, management noted that additional hiring had already begun. Initial hires may require at least a year to become profitable.

Sizable net operating loss carry-forwards underpin our expectation of a tax rate of just 10%. We expect the tax rate to remain modest for at least five years. We model adjusted F2022 EBITDA of $13.3 million (up from $12.3 million in F2021), with a margin of 8%. Our share-count assumption of 115.5 million is the 1Q:F22 level, up from 61.9 million following the F2021 share offering.

**F2023:** Though acquisitions may be the likeliest use of cash for GEE Group, our initial estimates exclude prospective contributions until transactions are announced. As such, our fiscal 2023 revenue growth estimate of 5% is purely from organic gains. Our gross margin estimate of 36.3% reflects our expectation for improving pricing and operating efficiencies and we model SG&A declines to 28.1% of revenue from 28.6%, as the anticipated accelerated pace of growth investment in F2022 stabilizes to a rate below revenue growth. We also assume an intact 10% tax rate and share count of 115.5 million. We model adjusted F2023 EBITDA of $15.8 million (up from $13.3 million in F2022), with margin expansion of 100 basis points to 9%.

## Balance Sheet And Cash Flow

GEE Group is better positioned since eliminating all debt and now generates free cash flow, which focuses attention on management's near-term priorities. Several options are available, but we sense acquisitions are the leading candidate, followed by a share repurchase authorization and the initiation of a dividend, both of which are merely in the discussion phases.

On its 1Q:F22 conference call, GEE noted the acquisition pipeline is healthy, with multiple specific targets in sight. IT-related staffing services tend to generate higher-than-average margins, and management is intent to target this area. Historical norms show a preference for using a combination of cash, stock and earnouts to make acquisitions. However, given the beleaguered share price in the past 12 months and relative valuation to peers in our exhibit, equity is less likely to be used to finance M&A in the near term.

GEE Group has been an adept balance-sheet manager without having to forego acquisitions and expansion of service offerings in new and existing geographic markets. Capital expenditure requirements are modest. Free cash flow will be available for acquisitions and reinvestment in other growth initiatives, in our view. At the end of 1Q:F22 GEE Group had $12.1 million in cash and no debt, with net cash at $0.10 per share. Assuming $150,000 a year of capex, we forecast free cash flow of $13.2 million ($0.11 per share) in F2022 and $15.4 million ($0.13 per share) in F2023.

## Risks

**COVID-19 related challenges.** The pandemic initially had a meaningful impact on customer operations and slashed demand for personnel services. Should other challenging variants arise, demand for personnel services could again be disrupted.

**Business-leader confidence.** The pace of order flow for any personnel-related company partly depends upon the confidence of business leaders and customers in need of staffing. Given GEE's direct exposure to U.S. small businesses, we view measures such as the Small Business Optimism Index, published by The National Federation of Independent Business (NFIB), and The Job Openings and Labor Turnover Survey (JOLTS) from the U.S. Bureau of Labor Statistics as valuable leading indicators. Economic deterioration would most likely lead to revenue and margin pressure for GEE Group.

**Lack of available workers.** GEE competes for desirable talent. The demand for access to skilled temporary workers is significant, with strong competition within a fragmented market. The goal of having a ready supply of such talent has been increasingly difficult to reach since Covid-19, with available employees not having fully returned to pre-pandemic levels.

## Valuation

Competition in the highly fragmented staffing industry includes publicly traded companies, private entities, and in-house human resource departments of potential customers. The peer group of publicly traded competitors includes large companies, such as Robert Half (NYSE: RHI), Randstad, Adecco and Korn Ferry (NYSE: KYF, BUY). For the purpose of our initiation, we think U.S.-focused competitors with small and midsize market capitalizations offer the most reasonable basis for valuation comparison.

Virtually all relevant valuation metrics, including next-12-month price-to-earnings, enterprise value-to-EBITDA and price-to-book value, portray GEE Group as an undervalued stock. Our $2 price target applies about an 18x multiple to our F2023 EPS estimate of $0.08 and adds a projected year-end cash balance of $0.33 per share.

Our $2 valuation also translates to 1.8x an estimated F2023 book value of $1.09 a share and a 12.2x enterprise value of our F2023 EBITDA estimate of $15.8 million. This reasoning is supported by improving fundamentals and a highly experienced management team. The moderately risky rating credits strong free cash flow generation and a clean balance sheet.

**GEE Group Peer Valuation**

| Company | Price | Mkt Cap | Ent Value | EV/EBITDA | P/E - NTM | P/BV |
|---|---|---|---|---|---|---|
| ASGN | $108.33 | $5,763 | 6,267.5 | 14.0 | 17.5 | 3.01 |
| Korn Ferry | $63.72 | $3,596 | 3,387.3 | 8.1 | 11.3 | 2.35 |
| Kforce | $72.08 | $1,540 | 1,526.5 | 13.1 | 16.7 | 8.23 |
| TrueBlue | $26.62 | $963 | 913.1 | 8.2 | 11.0 | 1.88 |
| Kelly Services A | $20.76 | $840 | 581.4 | 5.5 | 11.8 | 0.61 |
| Heidrick & Struggles Intl | $39.91 | $820 | 294.6 | 2.4 | 10.6 | 2.33 |
| Resources Connection | $17.05 | $572 | 545.9 | 8.0 | 10.8 | 1.62 |
| Mastech Digital Inc | $18.34 | $231 | 236.8 | 13.5 | 11.1 | 2.99 |
| BGSF | $13.95 | $145 | 186.0 | 11.1 | 10.0 | 2.01 |
| Average | | | | 9.3 | 12.3 | 2.8 |
| **GEE Group** | **$0.53** | **$62** | **49.6** | **3.8** | **6.7** | **0.6** |

Source: FactSet, Sidoti & Company
Prices as of March 7, 2022

**Table 1: JOB Income Statement ($ in thousands)**

| | 2020 | Dec. | Mar. | Jun. | Sept. | 2021 | Dec.A | Mar.E | Jun.E | Sept.E | 2022E | Dec.E | Mar.E | Jun.E | Sept.E | 2023E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contract staffing services | 114,526 | 31,248 | 31,063 | 32,539 | 34,952 | 129,802 | 36,684 | 34,791 | 34,491 | 37,049 | 143,015 | 38,518 | 36,530 | 36,216 | 38,902 | 150,166 |
| Direct hire placement services | 15,309 | 3,395 | 3,655 | 5,529 | 6,499 | 19,078 | 6,163 | 4,094 | 5,861 | 6,889 | 23,006 | 6,471 | 4,298 | 6,154 | 7,233 | 24,157 |
| Net revenues | $129,835 | $34,643 | $34,718 | $38,068 | $41,451 | $148,880 | $42,847 | $38,884 | $40,352 | $43,938 | $166,021 | $44,989 | $40,828 | $42,370 | $46,135 | $174,322 |
| Cost of contract services | 85,131 | 22,063 | 23,810 | 24,242 | 26,224 | 96,339 | 27,265 | 26,480 | 25,624 | 27,593 | 106,962 | 28,343 | 27,355 | 26,693 | 28,604 | 110,995 |
| Gross profit | 44,704 | 12,580 | 10,908 | 13,826 | 15,227 | 52,541 | 15,582 | 12,404 | 14,729 | 16,345 | 59,060 | 16,646 | 13,473 | 15,677 | 17,531 | 63,327 |
| Selling, general and administrative | 44,401 | 9,487 | 9,179 | 11,113 | 11,872 | 41,651 | 12,359 | 10,654 | 11,702 | 12,742 | 47,457 | 12,687 | 11,024 | 12,118 | 13,148 | 48,977 |
| Depreciation expense | 248 | 73 | 77 | 78 | 83 | 311 | 86 | 85 | 85 | 85 | 341 | 85 | 85 | 85 | 85 | 340 |
| Amortization of intangibles | 5,038 | 1,044 | 1,015 | 1,015 | 1,015 | 4,089 | 1,015 | 1,015 | 1,015 | 1,015 | 4,060 | 1,000 | 1,000 | 1,000 | 1,000 | 4,000 |
| Goodwill impairment charge | 8,850 | - | - | - | - | - | 2,150 | - | - | - | 2,150 | - | - | - | - | - |
| Operating income | (13,833) | 1,976 | 637 | 1,620 | 2,257 | 6,490 | (27) | 650 | 1,926 | 2,503 | 5,051 | 2,874 | 1,365 | 2,474 | 3,298 | 10,011 |
| (Loss) gain on extinguishment of debt & Other | 12,316 | - | 279 | (2,047) | 1,220 | (548) | 16,773 | - | - | - | 16,773 | - | - | - | - | - |
| Interest expense | (12,233) | (2,686) | (2,534) | (539) | (119) | (5,878) | (107) | - | - | - | (107) | - | - | - | - | - |
| Pre tax income | (13,750) | (710) | (1,618) | (966) | 3,358 | 64 | 16,639 | 650 | 1,926 | 2,503 | 21,717 | 2,874 | 1,365 | 2,474 | 3,298 | 10,011 |
| Income tax | (597) | 395 | (117) | 29 | (365) | (58) | 29 | (65) | (193) | (250) | (479) | (287) | (136) | (247) | (330) | (1,001) |
| Tax rate | -4.3% | 55.6% | -7.2% | 3.0% | 10.9% | 90.6% | -0.2% | 10.0% | 10.0% | 10.0% | 2.2% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Net income | (14,347) | (315) | (1,735) | (937) | 2,993 | 6 | 16,668 | 585 | 1,734 | 2,253 | 21,238 | 2,587 | 1,228 | 2,227 | 2,968 | 9,010 |
| Gain on redeemed preferred stock | 24,475 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net income (Common stockholders) | 10,128 | (315) | (1,735) | (937) | 2,993 | 6 | 16,668 | 585 | 1,734 | 2,253 | 21,238 | 2,587 | 1,228 | 2,227 | 2,968 | 9,010 |
| Less: Gain on redeemed preferred stock | (24,475) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Less: gain on extinguishment of convertible debt | (11,405) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest expense on convertible note | 1,204 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Diluted Net income (Common stockholders) | (24,548) | (315) | (1,735) | (937) | 2,993 | 6 | 16,668 | 585 | 1,734 | 2,253 | 21,238 | 2,587 | 1,228 | 2,227 | 2,968 | 9,010 |
| GAAP EPS | ($1.14) | ($0.02) | ($0.10) | ($0.01) | $0.03 | $0.00 | $0.14 | $0.01 | $0.02 | $0.02 | $0.18 | $0.02 | $0.01 | $0.02 | $0.03 | $0.08 |
| Adjustments | | | | | | | | | | | | | | | | |
| Goodwill impairment charge | 8,850 | - | - | - | - | - | 2,150 | - | - | - | 2,150 | - | - | - | - | - |
| (Loss) gain on extinguishment of debt & Other | (12,316) | - | (279) | 2,047 | (1,220) | 548 | (16,773) | - | - | - | (16,773) | - | - | - | - | - |
| Gain on redeemed preferred stock | (24,475) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Severance | - | - | - | - | - | - | 509 | - | - | - | 509 | - | - | - | - | - |
| Total adjustments | (27,941) | - | (279) | 2,047 | (1,220) | 548 | (14,114) | - | - | - | (14,114) | - | - | - | - | - |
| Adjusted Net income | (17,813) | (315) | (2,014) | 1,110 | 1,773 | 554 | 2,554 | 585 | 1,734 | 2,253 | 7,124 | 2,587 | 1,228 | 2,227 | 2,968 | 9,010 |
| **Adjusted EPS** | **($0.83)** | **($0.02)** | **($0.11)** | **$0.01** | **$0.02** | **$0.01** | **$0.02** | **$0.01** | **$0.02** | **$0.02** | **$0.06** | **$0.02** | **$0.01** | **$0.02** | **$0.03** | **$0.08** |
| Shares outstanding (diluted) | 21,570 | 17,667 | 17,667 | 92,354 | 114,100 | 61,948 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 | 115,542 |
| Contract staffing services year over year | -14.0% | -5.5% | 2.6% | 38.5% | 26.2% | 13.3% | 17.4% | 12.0% | 6.0% | 6.0% | 10.2% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| % of revenue | 88.2% | 90.2% | 89.5% | 85.5% | 84.3% | 87.2% | 85.6% | 89.5% | 85.5% | 84.3% | 86.1% | 85.6% | 89.5% | 85.5% | 84.3% | 86.1% |
| Direct hire placement services year over year | -17.4% | -24.2% | -17.2% | 78.3% | 96.2% | 24.6% | 81.5% | 12.0% | 6.0% | 6.0% | 20.6% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| % of revenue | 11.8% | 9.8% | 10.5% | 14.5% | 15.7% | 12.8% | 14.4% | 10.5% | 14.5% | 15.7% | 13.9% | 14.4% | 10.5% | 14.5% | 15.7% | 13.9% |
| Net revenues year over year | -14.4% | -7.8% | 0.1% | 43.1% | 33.7% | 14.7% | 23.7% | 12.0% | 6.0% | 6.0% | 11.5% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Gross profit margin | 34.4% | 36.3% | 31.4% | 36.3% | 36.7% | 35.3% | 36.4% | 31.9% | 36.5% | 37.2% | 35.6% | 37.0% | 33.0% | 37.0% | 38.0% | 36.3% |
| SG&A % of revenue | 34.2% | 27.4% | 26.4% | 29.2% | 28.6% | 28.0% | 28.8% | 27.4% | 29.0% | 29.0% | 28.6% | 28.2% | 27.0% | 28.6% | 28.5% | 28.1% |
| Operating margin | -10.7% | 5.7% | 1.8% | 4.3% | 5.4% | 4.4% | -0.1% | 1.7% | 4.8% | 5.7% | 3.0% | 6.4% | 3.3% | 5.8% | 7.1% | 5.7% |
| Adjusted EBITDA | 6,144 | 3,545 | 2,038 | 3,103 | 3,562 | 12,272 | 3,896 | 2,100 | 3,376 | 3,953 | 13,325 | 4,309 | 2,800 | 3,909 | 4,733 | 15,751 |
| Adjusted EBITDA margin | 4.7% | 10.2% | 5.9% | 8.2% | 8.6% | 8.2% | 9.1% | 5.4% | 8.4% | 9.0% | 8.0% | 9.6% | 6.9% | 9.2% | 10.3% | 9.0% |

*Sources: Company reports and Sidoti & Company LLC estimates*

**Table 2: JOB Statement of Cash Flows ($ in thousands)**

| | 2020 | Dec. | Mar. | Jun. | 2021 | Dec.A | 2022E | 2023E |
|---|---|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | | | | |
| Net Income | $ (14,347) | $ (315) | $ (1,735) | $ (937) | $ 6 | $ 16,668 | $ 21,238 | $ 9,010 |
| Loss (Gain) On Extinguishment of Debt and Other | (12,316) | - | (279) | 2,047 | 548 | (16,773) | (16,773) | - |
| Depreciation And Amortization | 5,286 | 1,117 | 1,092 | 1,093 | 4,400 | 1,100 | 4,401 | 4,340 |
| Goodwill Impairment Charge | 8,850 | - | - | - | - | 2,150 | 2,150 | - |
| Non-Cash Lease Expense | 1,623 | 338 | 339 | 336 | 1,344 | 322 | 1,288 | 1,220 |
| Stock Compensation | 1,559 | 311 | 293 | 231 | 970 | 147 | 897 | 1,000 |
| (Decrease) Increase in Allowance For Doubtful Accounts | 1,557 | (397) | 38 | (163) | (546) | 77 | 77 | - |
| Deferred Income Taxes | 130 | (215) | 74 | (90) | 161 | (105) | - | - |
| Amortization of Debt Discount | 1,779 | 445 | 445 | 13 | 941 | 38 | 100 | - |
| Interest Expense Paid with Common and Preferred Stock | 1,288 | - | - | - | - | - | - | - |
| Paid In Kind Interest on Term Loan | 1,242 | 547 | 542 | 121 | 1,210 | - | - | - |
| Change in Acquisition Deposit for Working Capital Guarantee | (783) | - | - | - | - | - | - | - |
| Changes In Operating Assets And Liabilities: | | | | | | | | |
| Accounts Receivable | 3,222 | (2,176) | (432) | (1,167) | (6,477) | 1,762 | - | - |
| Accrued Interest | 95 | 46 | 42 | 399 | 513 | 32 | - | - |
| Accounts Payable | (2,156) | (131) | (205) | 102 | 206 | 118 | - | - |
| Accrued Compensation | 2,729 | (598) | 813 | (383) | 907 | (1,509) | - | - |
| Change in Other Assets, Net of Change in Other Liabilities | (2,005) | 1,075 | (878) | (4,074) | (3,813) | (1,763) | - | - |
| Net Cash Provided By Operating Activities | (2,247) | 47 | 149 | (2,472) | 370 | 2,264 | 13,378 | 15,570 |
| **INVESTING ACTIVITIES** | | | | | | | | |
| Capital Expenditures | (119) | (2) | (10) | (56) | (126) | (84) | (150) | (150) |
| Net Cash Used In Investing Activities | (119) | (2) | (10) | (56) | (126) | (84) | (150) | (150) |
| **FINANCING ACTIVITIES** | | | | | | | | |
| Payments On Term Loan | (500) | - | - | (44,194) | (44,194) | - | - | - |
| Debt Issue Costs | - | - | - | (764) | (764) | - | - | - |
| Proceeds From Common Stock Offering | - | - | - | 52,415 | 52,415 | - | - | - |
| Net Payments on Subordinate Debt | (1,724) | - | - | - | - | - | - | - |
| Payments on Preferred Stock Redemption | (2,931) | - | - | - | - | - | - | - |
| Net Proceeds From CARES Act Loans | 19,927 | - | - | - | - | - | - | - |
| Net Payments on Revolving Credit | (2,387) | - | - | (11,828) | (11,828) | - | - | - |
| Net Cash Used In Financing Activities | 12,385 | - | - | (4,371) | (4,371) | - | - | - |
| Net Change In Cash | 10,019 | 45 | 139 | (6,899) | (4,127) | 2,180 | 13,228 | 15,420 |
| Cash At Beginning Of Year | 4,055 | 14,074 | 14,119 | 14,258 | 14,074 | 9,947 | 9,947 | 23,175 |
| Cash At End Of Year | 14,074 | 14,119 | 14,258 | 7,359 | 9,947 | 12,127 | 23,175 | 38,595 |
| Cash paid for interest | 7,785 | 1647 | 1505 | 467 | 3670 | 36 | | |
| Cash paid for taxes | 80 | 21 | 187 | 37 | 293 | - | | |

*Sources: Company reports and Sidoti & Company LLC estimates*

**Table 3: JOB Balance Sheet ($ in thousands)**

| | 2020 | Dec. | Mar. | Jun. | 2021 | Dec.A | 2022E | 2023E |
|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash | $14,074 | $14,119 | $14,258 | $7,359 | $9,947 | $12,127 | $23,175 | $38,595 |
| Accounts Receivable | 16,047 | 18,620 | 19,014 | 20,344 | 23,070 | 21,231 | 23,070 | 23,070 |
| Prepaid Expenses and Other | 1,393 | 854 | 1,421 | 813 | 668 | 860 | 668 | 668 |
| Total Current Assets | 31,514 | 33,593 | 34,693 | 28,516 | 33,685 | 34,218 | 46,913 | 62,333 |
| | | | | | | | | |
| Property and Equipment, net | 906 | 850 | 851 | 777 | 765 | 1,083 | 765 | 765 |
| Goodwill | 63,443 | 63,443 | 63,443 | 63,443 | 63,443 | 61,293 | 63,443 | 63,443 |
| Intangible Assets, net | 18,843 | 17,799 | 16,784 | 15,769 | 14,754 | 13,740 | 14,754 | 14,754 |
| Right-Of-Use Assets | 4,623 | 4,285 | 4,081 | 3,609 | 3,920 | 3,598 | 3,920 | 3,920 |
| Other | 684 | 501 | 386 | 1,144 | 1,022 | 1,001 | 1,022 | 1,022 |
| **Total Assets** | **120,013** | **120,471** | **120,238** | **113,258** | **117,589** | **114,933** | **130,817** | **146,237** |
| | | | | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts Payable | 2,051 | 1,920 | 1,715 | 1,817 | 2,257 | 2,375 | 2,257 | 2,257 |
| Accrued Compensation | 5,506 | 4,908 | 5,720 | 5,337 | 6,413 | 4,905 | 6,413 | 6,413 |
| Current Paycheck Protection Program Loans and Accrued Interest | 2,243 | 5,608 | 8,848 | 10,966 | 16,741 | - | - | - |
| Current Operating Lease Liabilities | 1,615 | 1,576 | 1,600 | 1,580 | 1,681 | 1,646 | 1,681 | 1,681 |
| Other | 6,748 | 8,096 | 8,125 | 3,706 | 4,065 | 4,718 | 4,065 | 4,065 |
| Total Current Liabilities | 18,163 | 22,108 | 26,008 | 23,406 | 31,157 | 13,644 | 14,416 | 14,416 |
| | | | | | | | | |
| Deferred Taxes | 430 | 215 | 289 | 199 | 591 | 486 | 591 | 591 |
| Paycheck Protection Program Loans And Accrued Interest | 17,779 | 14,460 | 10,983 | 6,953 | - | - | - | - |
| Revolving Credit Facility | 11,828 | 11,828 | 11,828 | 16 | - | - | - | - |
| Term Loan, Net of Discount | 37,752 | 38,744 | 39,731 | - | - | - | - | - |
| Noncurrent Operating Lease Liabilities | 3,927 | 3,544 | 3,246 | 2,867 | 3,006 | 2,634 | 3,006 | 3,006 |
| Other | 2,756 | 2,198 | 2,221 | 2,176 | 2,066 | 586 | 2,066 | 2,066 |
| Total Long-Term Liabilities | 74,472 | 70,989 | 68,298 | 12,211 | 5,663 | 3,706 | 5,663 | 5,663 |
| | | | | | | | | |
| Shareholders' Equity | | | | | | | | |
| Total Shareholders' Equity | 27,378 | 27,374 | 25,932 | 77,641 | 80,769 | 97,583 | 110,738 | 126,158 |
| | | | | | | | | |
| **Total Liabilities and Shareholders' Equity** | **120,013** | **120,471** | **120,238** | **113,258** | **117,589** | **114,933** | **130,817** | **146,237** |
| | | | | | | | | |
| **SELECTED FINANCIAL DATA** | | | | | | | | |
| Free Cash Flow | (2,366) | 45 | 139 | (2,528) | 244 | 2,180 | 13,228 | 15,420 |
| Free Cash Flow Per Share | ($0.11) | $0.00 | $0.01 | ($0.03) | $0.00 | $0.02 | $0.11 | $0.13 |
| Free Cash Flow (Excluding Add Back Of Stock-Based Compensation) | (3,925) | (266) | (154) | (2,759) | (726) | 2,033 | 12,331 | 14,420 |
| Free Cash Flow Per Share (Excluding Add Back Of Stock-Based Compensation) | ($0.18) | ($0.02) | ($0.01) | ($0.03) | ($0.01) | $0.02 | $0.11 | $0.12 |
| Return On Equity (ROE) (TTM) | NA | NA | NA | NA | 1.0% | 5.5% | 7.4% | 7.6% |
| Return On Assets (ROA) (TTM) | NA | NA | NA | NA | 0.5% | 2.9% | 5.7% | 6.5% |
| Book Value Per Share | $1.27 | $1.55 | $1.47 | $0.84 | $1.30 | $0.84 | $0.96 | $1.09 |
| Total Debt To Total Capital | 72% | 72% | 73% | 19% | 17% | 0% | 0% | 0% |
| Total Debt To Equity | 58% | 59% | 59% | 16% | 14% | 0% | 0% | 0% |
| Net cash (debt) per share | ($2.57) | ($3.20) | ($3.23) | ($0.11) | ($0.11) | $0.10 | $0.20 | $0.33 |

*Sources: Company reports and Sidoti & Company LLC estimates*

## Required Disclosures

**GEE Group, Inc. (JOB-$0.53)     NR     Price Target: $2     Risk Rating: M**


### Risks

**COVID-19 related challenges.** The pandemic initially had a meaningful impact on customer operations and slashed demand for personnel services. Should other challenging variants arise, demand for personnel services could again be disrupted.

**Business-leader confidence.** The pace of order flow for any personnel-related company partly depends upon the confidence of business leaders and customers in need of staffing. Given GEE's direct exposure to U.S. small businesses, we view measures such as the Small Business Optimism Index, published by The National Federation of Independent Business (NFIB), and The Job Openings and Labor Turnover Survey (JOLTS) from the U.S. Bureau of Labor Statistics as valuable leading indicators. Economic deterioration would most likely lead to revenue and margin pressure for GEE Group.

**Lack of available workers.** GEE competes for desirable talent. The demand for access to skilled temporary workers is significant, with strong competition within a fragmented market. The goal of having a ready supply of such talent has been increasingly difficult to reach since Covid-19, with available employees not having fully returned to pre-pandemic levels.

### Valuation

Competition in the highly fragmented staffing industry includes publicly traded companies, private entities, and in-house human resource departments of potential customers. The peer group of publicly traded competitors includes large companies, such as Robert Half (NYSE: RHI), Randstad, Adecco and Korn Ferry (NYSE: KYF, BUY). For the purpose of our initiation, we think U.S.-focused competitors with small and midsize market capitalizations offer the most reasonable basis for valuation comparison.

Virtually all relevant valuation metrics, including next-12-month price-to-earnings, enterprise value-to-EBITDA and price-to-book value, portray GEE Group as an undervalued stock. Our $2 price target applies about an 18x multiple to our F2023 EPS estimate of $0.08 and adds a projected year-end cash balance of $0.33 per share.

Our $2 valuation also translates to 1.8x an estimated F2023 book value of $1.09 a share and a 12.2x enterprise value of our F2023 EBITDA estimate of $15.8 million. This reasoning is supported by improving fundamentals and a highly experienced management team. The moderately risky rating credits strong free cash flow generation and a clean balance sheet.

**Sidoti & Company.** Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public . This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

**Sidoti *Company Sponsored Research* Rating System** The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of *"Moderately Risky*" (M) and "*Highly Risky*" (H) ratings. *"Moderately Risky*" suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. "*Highly Risky*" suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 03/15/22 and immediately prior to the publication of this report, Company Sponsored Research provides research on 26 companies, of which 21 (80%) are rated Moderately Risky and 5 (19%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst's estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the "Risk Factors" section in the issuer's SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision

# Appendix

by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1212 Avenue of the Americas, (Attention: Director of Research), New York, NY 10036 USA.

**Compensation**. Sidoti & Company, LLC receives a flat fee of $40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee up to $6,000 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for providing institutional investors with securities related services by virtue of commission sharing agreements. Sidoti & Company, LLC has received and expects to continue to receive compensation for non-investment banking services from companies under coverage from attendance fees for conferences sponsored by Sidoti and the arrangement of non-deal roadshow days. Sidoti *may* receive or seek to receive non-investment banking compensation from covered companies for investor relations-related serves, or certain advisory, research analysis, financial modeling or similar services. JOB has paid a fee to Sidoti & Company, LLC to participate at the December 2021 Micro Cap Conference.

**Sidoti Analysts**. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

**Analyst Certification**. Marc Riddick certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report

## Source

Key Statistics data is sourced from FactSet Research Systems