

# KFORCE®

KFORCE

*Great People = Great Results®*

# Forward Looking Statements

All of the information presented that is not historical in nature should be considered to be forward-looking statements that are subject to certain risks, uncertainties or assumptions and may be affected by certain other factors, including but not limited to the specific factors discussed in the Firm's periodic filings with the SEC. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements expressed or implied by such forward-looking statements may vary materially from any future results, performance or achievements expressed or implied in this presentation. Forward-looking statements are not guarantees of performance and the Firm undertakes no obligation to update publicly any of the information presented in light of new information or future events.

Kforce sold its Health Information Management business unit on August 4, 2014.

The following exhibits exclude HIM unless otherwise noted.

# Kforce at a Glance

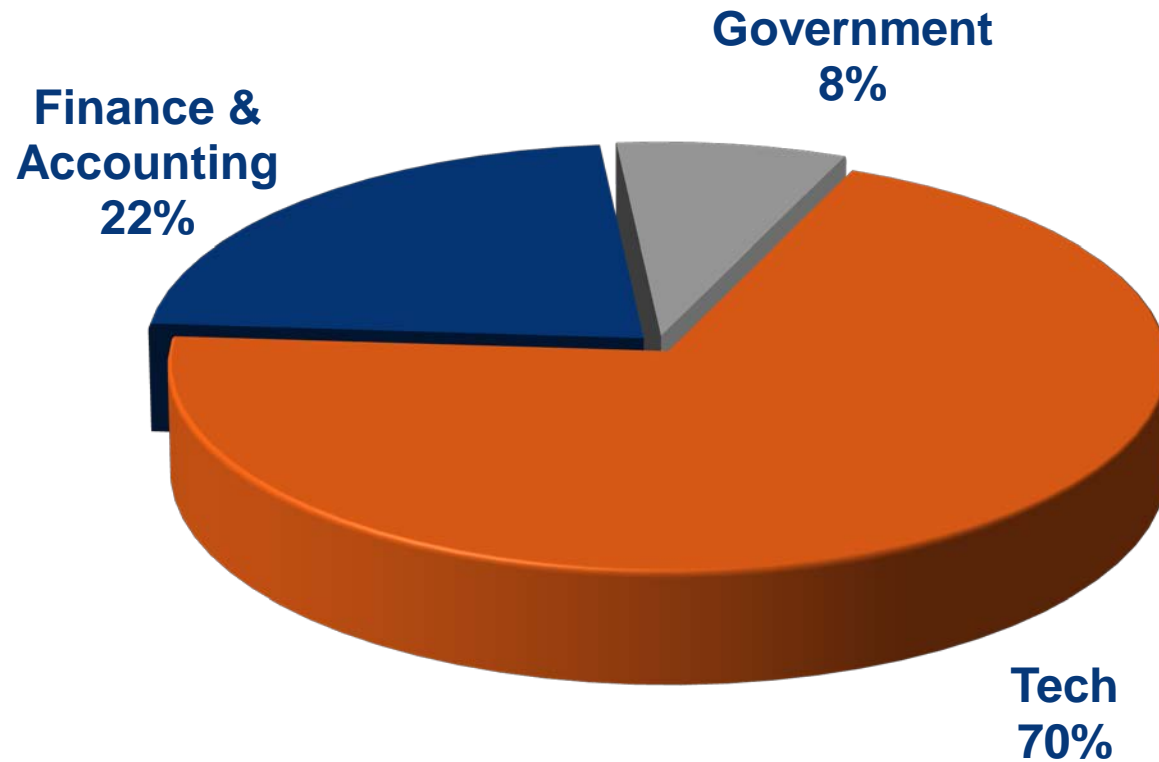
## Company overview

**Kforce is a professional staffing solutions firm providing flexible and permanent staffing services to clients in an array of industries**

- **50 year operating history – public since August 1995**
- **Q2 '14 Revenue: \$302.8 Million**
- **2013 Revenue: \$1.07 Billion**
- **Market Cap: Approximately \$620 Million**
- **Ownership: ~75% institutional / ~19% insider**
- **Employees: Approximately 2,500 core associates**
- **Consultants: ~10,800**
- **Clients: 3,000+**
- **Geographic presence: 41 markets with 62 branches**
- **Headquarters: Tampa, Florida**

# Diversified Revenue Stream

Q2 2014 Revenue – \$302.8M



# Key Investment Highlights

- **Large, attractive end market with positive recent trends**
  - Tech staffing spend projected at \$26 billion in 2014
  - Strong demand for higher skill sets in a temp led recovery
  - Positive long-term secular trends as employers seek a flexible human capital solution against regulatory, economic and healthcare uncertainties
- **Strong position in critical high-end skill sets**
  - Participates in the “sweet spot” of professional staffing (~70% Tech)
  - High-end domestic focus yields higher bill rates, better spreads, longer assignments and long-tenured customers
  - Customer diversification enhances revenue visibility and insulates cyclical risk
- **Unique business and operating model**
  - Diversified business model serving attractive segments
  - Unique NRC and Shared Service support platform
  - Can operate without a physical location
- **Attractive financial model with tangible growth opportunities**
  - Resilient business model through last downturn
  - Highly elastic cost structure
  - Capital efficient model drives strong FCF

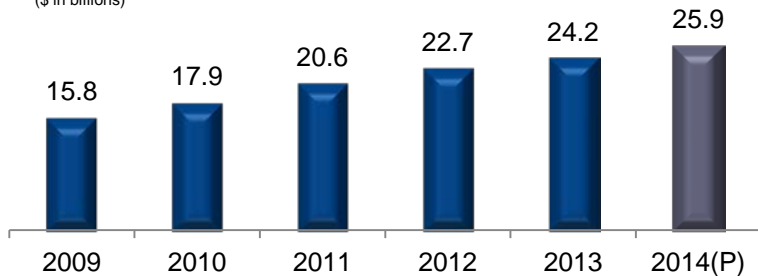
# Large End-markets with Significant Growth Opportunities

## Technology

- IT staffing sector is expected to grow due to multiple demand drivers:
  - Rapid pace of technological change
  - Growth in the volume of project-based work
  - Supply/demand imbalance for IT professionals
  - New IT investments and ongoing maintenance requirements
  - S.I.A. projects 7% revenue growth in 2014.

### Technology historical and projected spending

(\$ in billions)



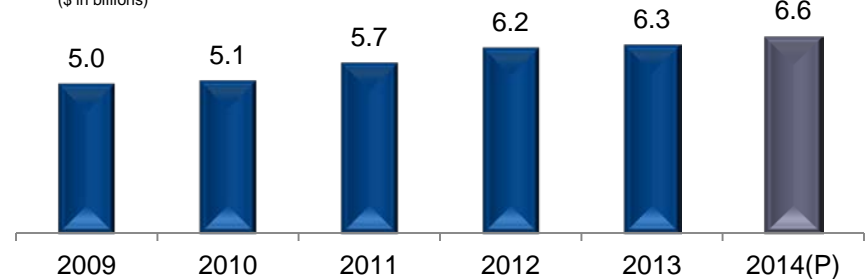
Source: Staffing Industry Analyst

## Finance & Accounting

- F&A staffing sector is expected to grow due to multiple demand drivers:
  - Lack of skilled finance and accounting professionals
  - Increasing levels of projects related to M&A, tax, systems conversions, work-outs, transaction processing
  - S.I.A. projects 5% revenue growth in 2014.

### Finance & Accounting historical and projected spending

(\$ in billions)



Source: Staffing Industry Analyst

## Government

- Government staffing sector facing budgetary pressure; however:
  - Government is the largest domestic consumer of technology services
  - Aging technology infrastructure
  - Governments looking for effective recruitment capabilities which is not a core competency for many agencies

# Secular Staffing Growth Drivers

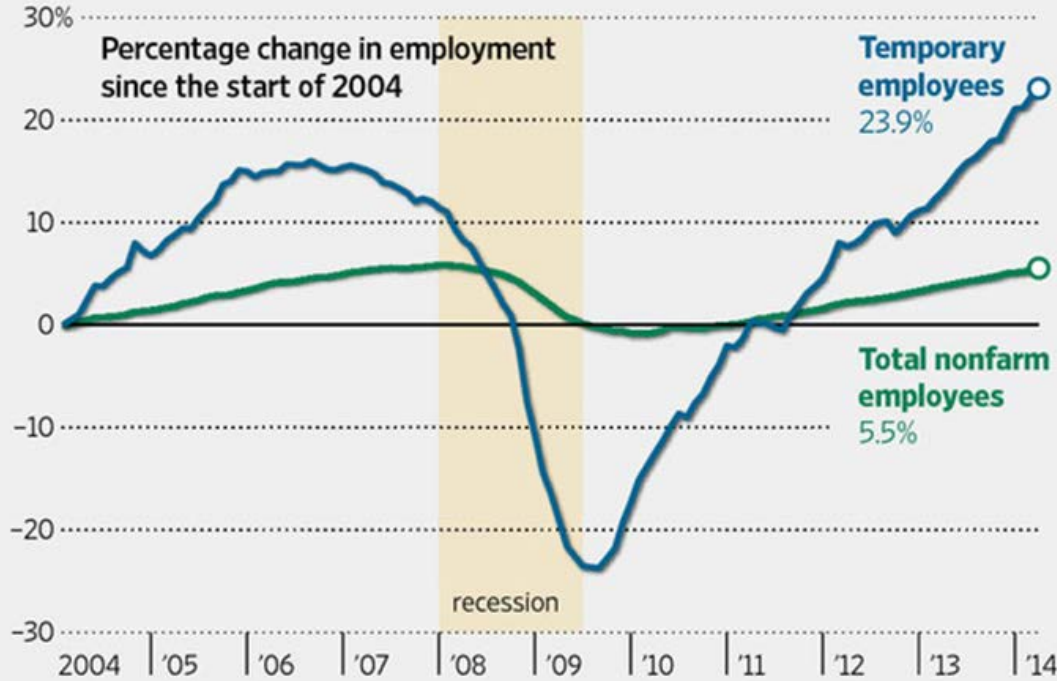
- ✓ As buyers/clients become more sophisticated in managing their workforce, companies are structurally utilizing temporary labor as a larger percentage of their workforce
- ✓ Economic and regulatory uncertainty drives companies to use contract labor
- ✓ Economic and regulatory (i.e. healthcare reform) uncertainties have forced companies to pursue shifting more of their workforce to contingent.
- ✓ Technology skills are in short supply and becoming increasingly more scarce
  - Jobs in science, technology, engineering and math (“STEM”) are increasing 3x vs. the rest of the US economy
  - Projected shortfall of 230,000 STEM workers by 2018
- ✓ College educated unemployment 3.1%, about half of overall unemployment rate



# The Flex Super-Cycle?

## Easy Come, Easy Go

The slump in temp jobs foreshadowed the recession. The boom in such positions since 2010, economists say, could mark a lasting shift in the job market.



Source: U.S. Labor Department

The Wall Street Journal

# Technology

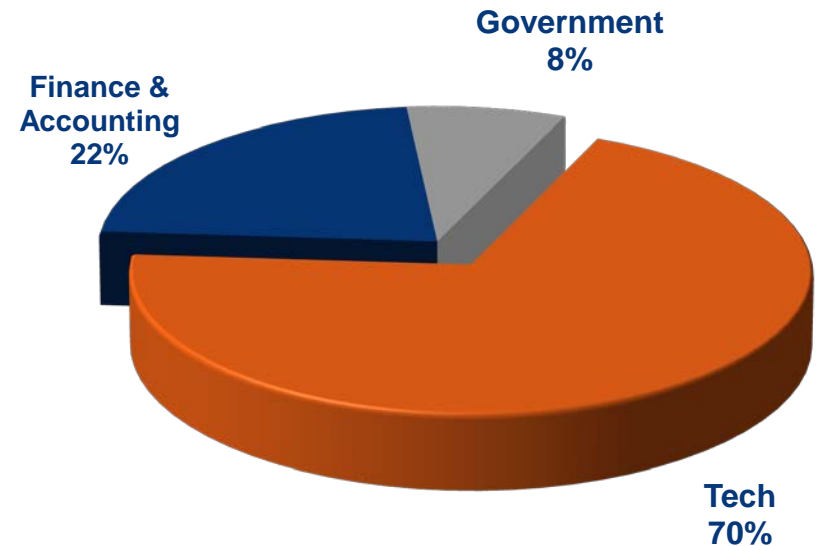
**70% of Q2 '14 revenue**

## Key Trends:

- Obsolescence, deferred maintenance and upgrades are driving current spending
- \$26 billion domestic market for Tech staffing projected in 2014

## Key Statistics:

- Average bill rate: ~\$69.00
- Assignment length: approximately 6 months
- FTE's: 6,650



# Finance and Accounting

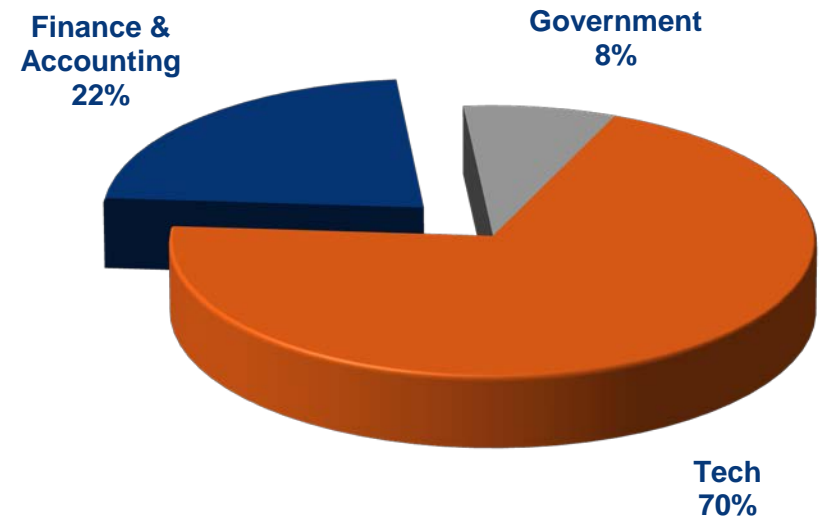
22% of Q2 '14 revenue

## Key Trends:

- Skilled F&A professionals
- Projects related to M&A, tax, systems conversions, work-outs, transaction processing

## Key Statistics:

- Average bill rate: ~\$32.50
- Assignment length: approximately 3 months
- FTE's: 4,150



# Government

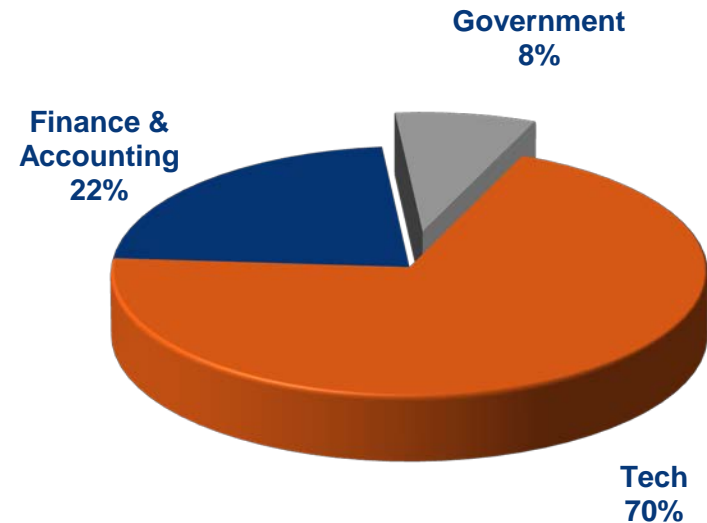
**8% of Q2 '14 revenue**

## Key Trends:

- Government provides clients with integrated solutions across the finance, accounting and technology disciplines
- Long-term contract profile

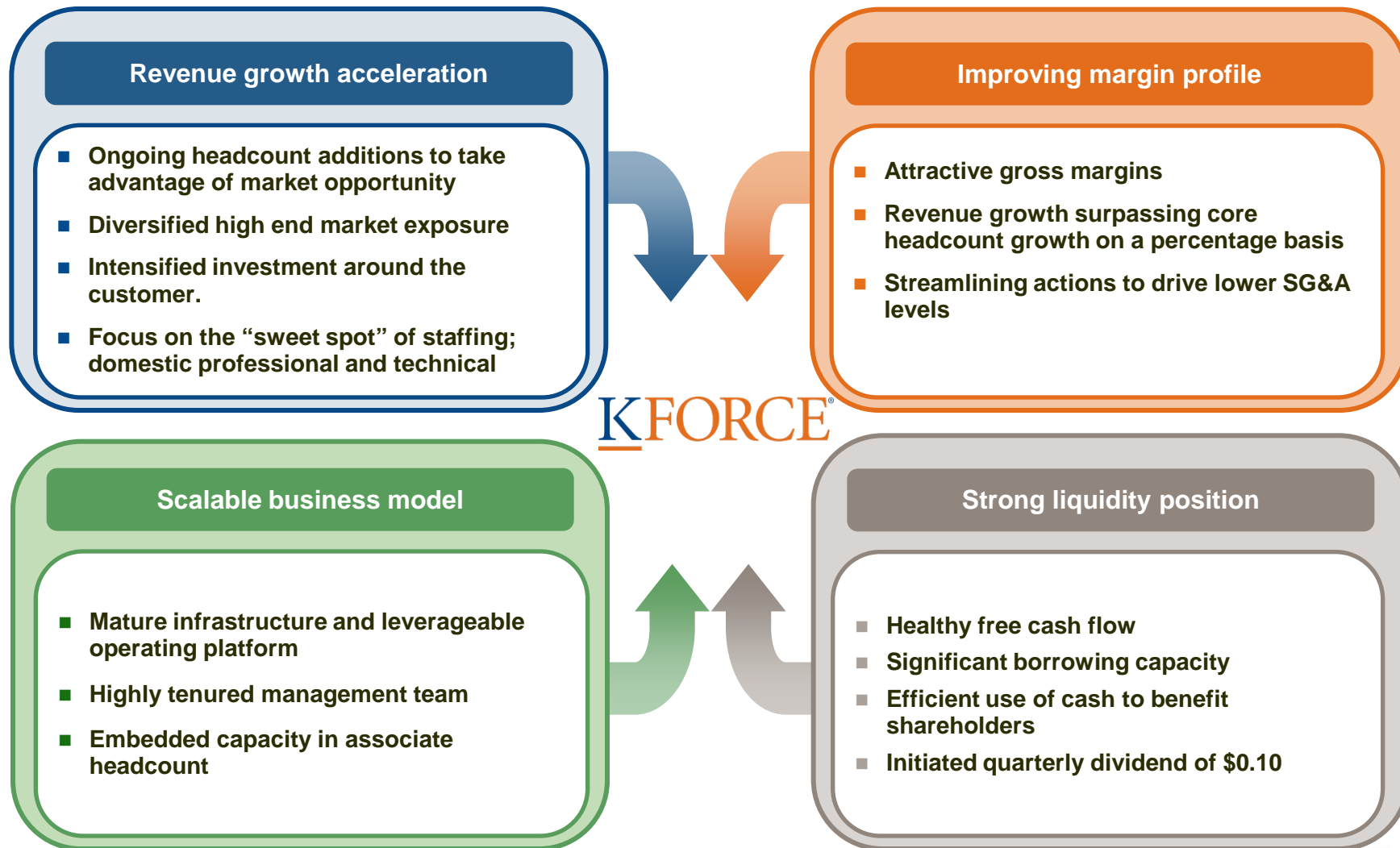
## Key Statistics:

- FTE's: 600
- Defense / civilian split: 51/49
- 41% in Healthcare

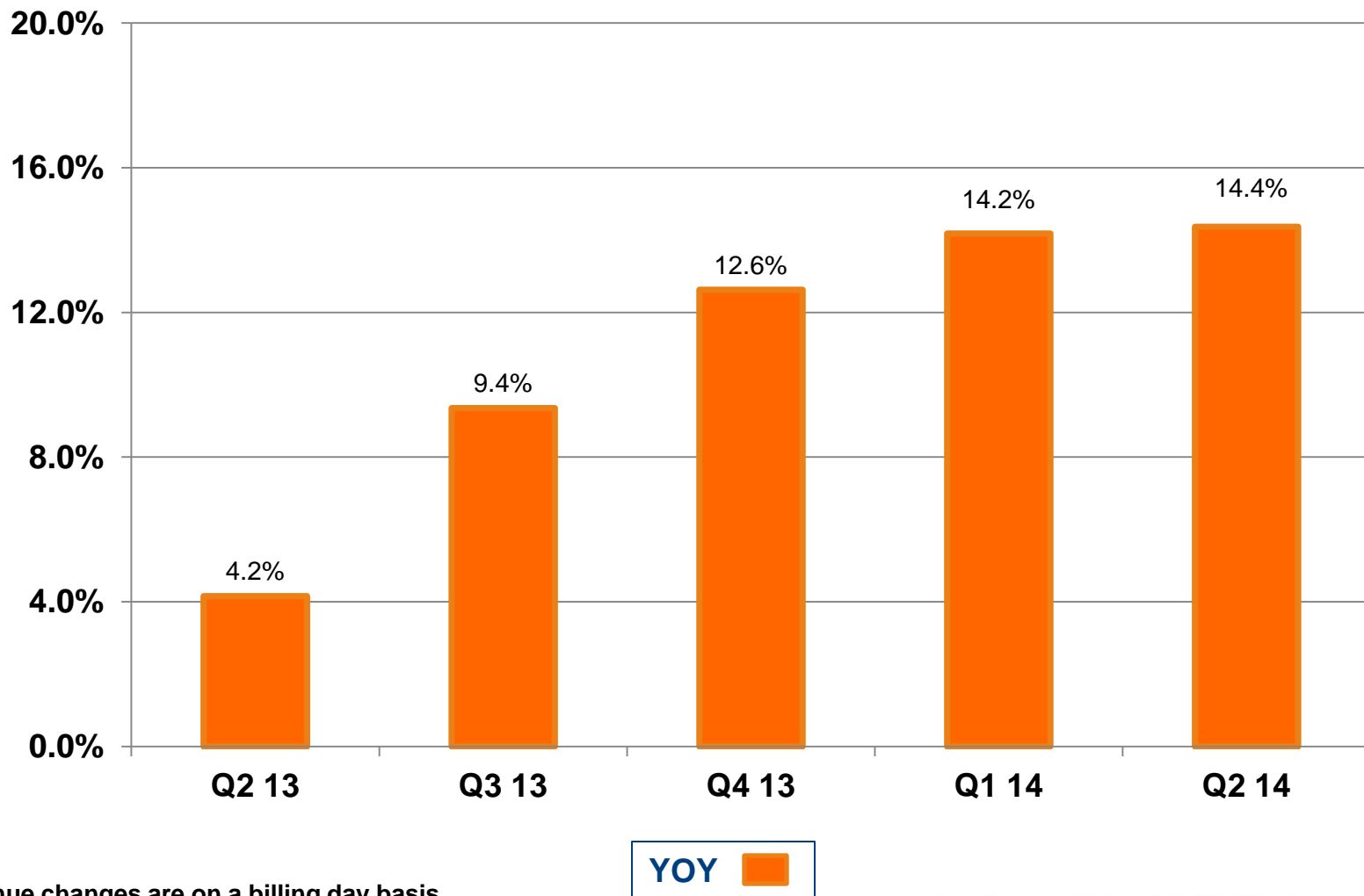


# Financial Overview

# Strong Financial Model



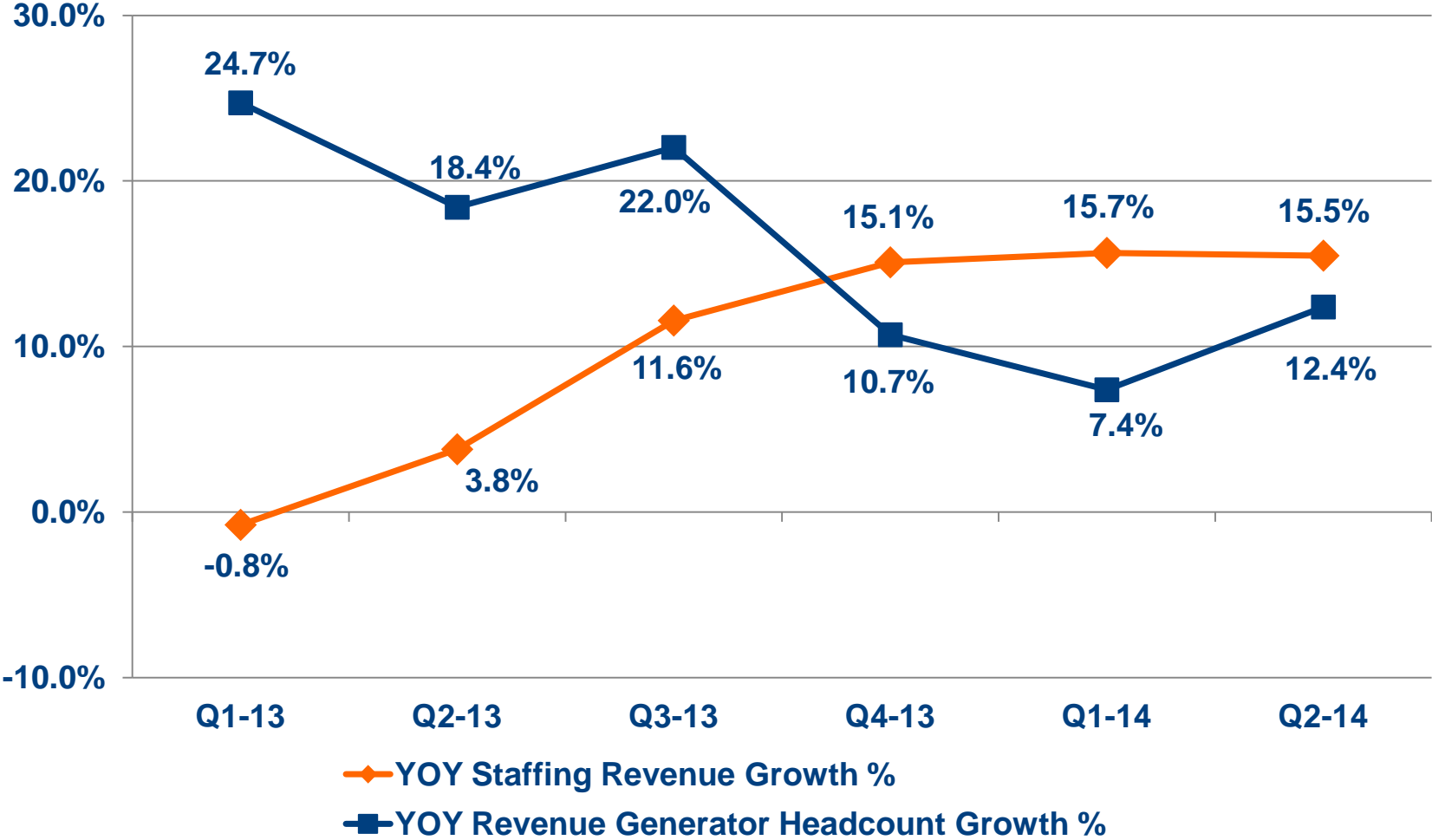
# Five Quarter Revenue Growth



Revenue changes are on a billing day basis

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# Return on Revenue Generating Investment





# Income Statement – Q2 2014

	Three Months Ended (000's)	
	Jun. 30, 2014	Adjusted for HIM *
Flex Revenue	314,807	
Search Revenue	12,610	
<b>Total Revenue</b>	<b>\$ 327,417</b>	<b>\$ 302,758</b>
<b>GP %</b>	<b>31.5%</b>	
<b>Flex GP%</b>	<b>28.8%</b>	
<b>SG&amp;A %</b>	<b>25.2%</b>	
<b>Operating Income</b>	<b>\$ 18,170</b>	
<b>Operating Income %</b>	<b>5.5%</b>	
<b>Net Income</b>	<b>\$ 10,703</b>	
<b>EPS</b>	<b>\$ 0.33</b>	<b>\$ 0.24</b>

\* Estimated operations exclusive of HIM

# Adjusted EBITDA & Shares Repurchased

	Prior Peak Q3'07	Estimated * Q2' 14	Prior Peak Operating Margins Exceeded
Operating Margins	7.4%	4.5%	7.5%
EBITDA (000's)	\$ 24,033	\$ 16,440	\$29,000 - \$33,000
Shares (000's)	42,544	32,710	32,710
EBITDA per Share	\$ 0.56	\$ 0.50	\$0.89 - \$1.00

	2011	2012	2013	YTD Jun 2014	2011-YTD Jun 2014
Shares Purchased (000's)	5,746	3,376	1,812	1,017	11,951
Average Price	\$10.38	\$13.14	\$15.07	\$21.61	\$12.83
Amount Purchased (000's)	\$59,643	\$44,375	\$27,313	\$21,984	\$153,315

\* Estimated operations exclusive of HIM

On September 10, 2014, the Board of Directors approved an increase to the outstanding stock repurchase authorization by \$70 million. In the third quarter of 2014 Kforce has, to date, purchased approximately 1.35 million shares of Kforce stock in the open market. With the additional \$70 million authorization, the total current authorization is now approximately \$83 million.

# Balance Sheet / Cash Flow

(Millions)

	Jun 2014	Mar 2014	Jun 2013
<b>Working Capital</b>	\$127.2	\$118.1	\$94.6
<b>AR Gross Balance</b>	\$203.2	\$189.9	\$167.0
<b>AR Over 60%</b>	6.6%	4.7%	3.8%
<b>Bank Debt</b>	\$81.7	\$61.2	\$50.1
<b>Debt/Equity Ratio</b>	55.7%	39.3%	32.8%
<b>Adjusted EBITDA</b>	\$21.1	\$13.7	\$14.8

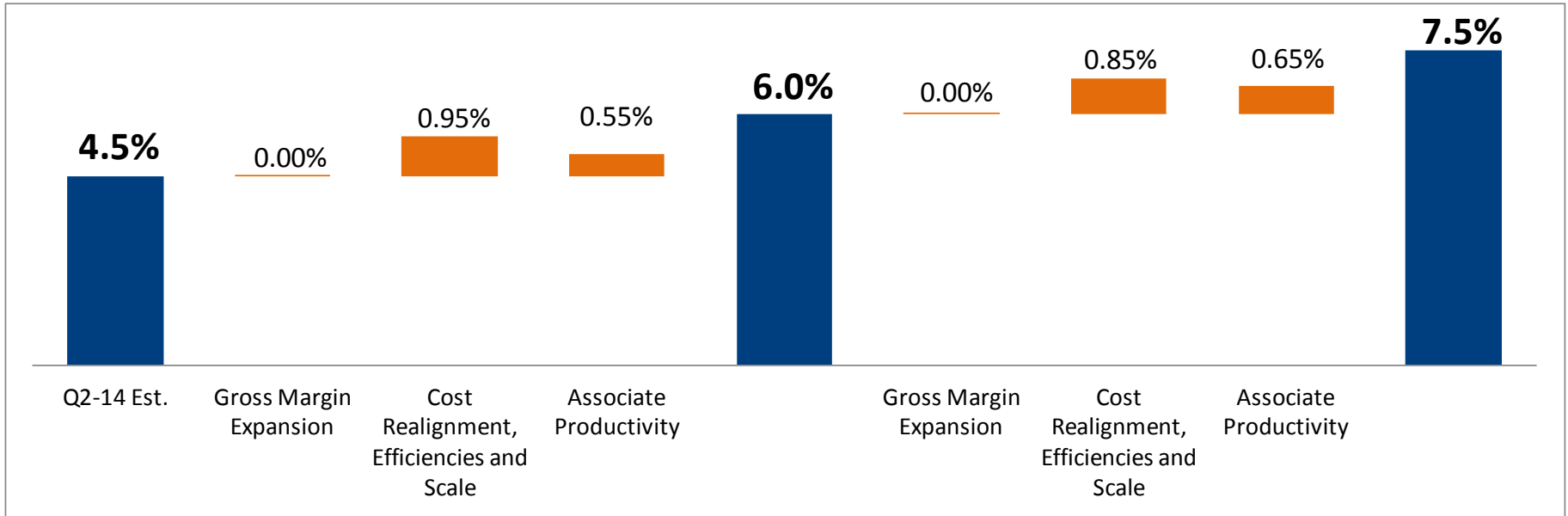
The above financial information is inclusive of HIM

# Future State Operating Margin

\$1.2 billion  
Annualized  
Revenue

\$1.4 billion  
Annualized  
Revenue

\$1.6 billion  
Annualized  
Revenue



# Sale of HIM

- Kforce sold its Kforce Healthcare, Inc. (HIM) business to further intensify focus on its core staffing services business.
  - \$25 billion domestic I.T. staffing market offers greatest long term growth opportunity
  - Attractive nature of healthcare focused business in the market is currently driving high premiums.
  - Longer term HIM growth would require significant investment
  - Reduce operational complexity.
- Aggregate purchase price of \$119 million.
- More than \$70 million in after-tax cash proceeds.
- Use of proceeds:
  - Debt reduction
  - Stock repurchases
  - Execute potential acquisitions aligned with our core business lines.

# Summary

- Professional domestic staffing sector experiencing strong secular and cyclical growth drivers
- Kforce well positioned in critical in demand skill sets, particularly Tech Flex
- Recent significant actions taken to streamline business
- Efficient use of cash to benefit shareholders