

ON ASSIGNMENT INC
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 000-20540

ON ASSIGNMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

95-4023433
(IRS Employer Identification No.)

26651 West Agoura Road, Calabasas, CA
(Address of principal executive offices)

91302
(Zip Code)

(818) 878-7900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

At July 31, 2007, the total number of outstanding shares of the Company's Common Stock (\$0.01 par value) was 35,241,809.

ON ASSIGNMENT, INC.

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PART I - FINANCIAL INFORMATION

Item 1 Condensed Consolidated Financial Statements (unaudited)

ON ASSIGNMENT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 29,383,000	\$ 105,483,000
Restricted cash		4,678,000
Accounts receivable, net	78,023,000	39,107,000
Advances and deposits	438,000	343,000
Prepaid expenses	3,451,000	2,630,000
Income taxes receivable	13,000	19,000
Deferred income taxes	5,365,000	3,624,000
Other current assets	989,000	41,000
Total Current Assets	117,662,000	155,925,000
Property and equipment, net	14,424,000	9,116,000
Goodwill	187,004,000	17,109,000
Identifiable intangible assets, net	48,664,000	667,000
Deferred income taxes, long-term	494,000	865,000
Other assets	6,497,000	3,313,000
Total Assets	\$ 374,745,000	\$ 186,995,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,389,000	\$ 2,867,000
Accrued payroll	18,981,000	8,426,000
Notes payable - current portion	1,450,000	
Deferred compensation	1,810,000	1,360,000
Income taxes payable	119,000	876,000
Accrued workers' compensation and medical malpractice insurance	8,182,000	3,551,000
Other accrued expenses	4,426,000	3,250,000
Other current liabilities	624,000	94,000
Total Current Liabilities	40,981,000	20,424,000
Deferred income taxes - long term	3,769,000	
Notes payable - less current portion	142,825,000	
Other long-term liabilities	1,580,000	627,000
Total Liabilities	189,155,000	21,051,000
Stockholders' Equity:		
Preferred stock		
Common stock	379,000	367,000
Paid-in capital	215,487,000	199,355,000
Accumulated deficit	(8,228,000)	(11,860,000)
Accumulated other comprehensive income	1,748,000	1,562,000
	209,386,000	189,424,000
Less: Treasury shares, at cost	23,796,000	23,480,000

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Total Stockholders' Equity	185,590,000	165,944,000
Total Liabilities and Stockholders' Equity	\$ 374,745,000	\$ 186,995,000

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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ON ASSIGNMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,	
	2007	2006
Revenues	\$ 143,854,000	\$ 68,636,000
Cost of services	97,613,000	49,368,000
Gross profit	46,241,000	19,268,000
Selling, general and administrative expenses	38,992,000	16,644,000
Operating income	7,249,000	2,624,000
Interest expense	(2,988,000)	
Interest income	220,000	256,000
Other income	431,000	
Income before income taxes	4,912,000	2,880,000
Provision for income taxes	1,974,000	966,000
Net income	\$ 2,938,000	\$ 1,914,000
Earnings per share:		
Basic earnings per share	\$ 0.08	\$ 0.08
Weighted average number of shares outstanding	35,176,000	26,149,000
Diluted earnings per share	\$ 0.08	\$ 0.07
Weighted average number of shares and dilutive shares outstanding	35,813,000	26,974,000

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,	
	2007	2006
Net income	\$ 2,938,000	\$ 1,914,000
Other comprehensive income:		
Foreign currency translation adjustment	95,000	255,000
Comprehensive income	\$ 3,033,000	\$ 2,169,000

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ON ASSIGNMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
Revenues	\$ 266,483,000	\$ 135,359,000
Cost of services	182,782,000	99,107,000
Gross profit	83,701,000	36,252,000
Selling, general and administrative expenses	73,253,000	33,430,000
Operating income	10,448,000	2,822,000
Interest expense	(5,123,000)	(3,000)
Interest income	637,000	493,000
Other income	431,000	
Income before income taxes	6,393,000	3,312,000
Provision for income taxes	2,544,000	1,096,000
Net income	\$ 3,849,000	\$ 2,216,000
Earnings per share:		
Basic earnings per share	\$ 0.11	\$ 0.09
Weighted average number of shares outstanding	34,929,000	25,976,000
Diluted earnings per share	\$ 0.11	\$ 0.08
Weighted average number of shares and dilutive shares outstanding	35,660,000	26,820,000

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Six Months Ended June 30,	
	2007	2006
Net income	\$ 3,849,000	\$ 2,216,000
Other comprehensive income:		
Foreign currency translation adjustment	186,000	343,000
Comprehensive income	\$ 4,035,000	\$ 2,559,000

SEE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ON ASSIGNMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months Ended June 30,	
	2007	2006
Cash Flows From Operating Activities:		
Net income	\$ 3,849,000	\$ 2,216,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,892,000	2,486,000
Amortization of intangibles	7,943,000	472,000
Provision for doubtful accounts and billing adjustments	341,000	8,000
Stock-based compensation	3,337,000	1,014,000
Income related to market value of swap agreement	(431,000)	
Excess tax benefits from stock-based compensation	(756,000)	
Amortization of deferred loan costs	245,000	
Gain on officers' life insurance policies	(116,000)	
(Gain) loss on disposal of property and equipment	(2,000)	10,000
Changes in operating assets and liabilities:		
Accounts receivable	(6,179,000)	403,000
Prepaid expenses	639,000	744,000
Income taxes receivable	357,000	
Income taxes payable	(72,000)	1,000,000
Accounts payable	531,000	(391,000)
Accrued payroll	970,000	648,000
Deferred compensation	450,000	237,000
Accrued workers' compensation and medical malpractice insurance	35,000	346,000
Other accrued expenses	(187,000)	162,000
Net cash provided by operating activities	13,846,000	9,355,000
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(2,654,000)	(2,254,000)
Proceeds from sale of property and equipment	10,000	1,000
Decrease (Increase) in restricted cash	4,678,000	(300,000)
(Increase) Decrease in advances and deposits	(77,000)	12,000
Increase in other assets	(317,000)	(351,000)
Cash paid for acquisitions	(233,207,000)	(430,000)
Net cash used for investing activities	(231,567,000)	(3,322,000)
Cash Flows From Financing Activities:		
Capital lease payments	(71,000)	