

TrueBlue, Inc.
Form 10-Q
October 30, 2009
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: September 25, 2009

or

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

Commission File Number: 001-14543

TrueBlue, Inc.

(Exact name of registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization)

91-1287341
(IRS Employer
Identification No.)

1015 A Street, Tacoma, Washington
(Address of principal executive offices)

98402
(Zip Code)

Registrant's telephone number, including area code: (253) 383-9101

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

As of October 23, 2009, there were 43,809,663 shares of the registrant's common stock outstanding.

Documents incorporated by reference: None.

Table of Contents

TrueBlue, Inc.

Index

Part I. Financial Information

Item 1.	Financial Statements (unaudited)	
	<u>Consolidated Balance Sheets</u>	
	<u>September 25, 2009 and December 26, 2008</u>	3
	<u>Consolidated Statements of Operations</u>	
	<u>Thirteen and Thirty-nine weeks ended September 25, 2009 and September 26, 2008</u>	4
	<u>Consolidated Statements of Cash Flows</u>	
	<u>Thirty-Nine weeks ended September 25, 2009 and September 26, 2008</u>	5
	<u>Notes to Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	22
Item 4.	<u>Controls and Procedures</u>	22

Part II. Other Information

Item 1.	<u>Legal Proceedings</u>	23
Item 1A.	<u>Risk Factors</u>	23
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3.	<u>Defaults Upon Senior Securities</u>	29
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	29
Item 5.	<u>Other Information</u>	29
Item 6.	<u>Exhibits</u>	29
	<u>Signatures</u>	30

Table of Contents**PART I. Financial Information****Item 1. Financial Statements****TrueBlue, Inc.****Consolidated Balance Sheets****In Thousands (Except Par Values)****(Unaudited)**

	September 25, 2009	December 26, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,522	\$ 108,102
Accounts receivable, net of allowance for doubtful accounts of \$6.6 and \$5.4 million	130,515	104,979
Prepaid expenses, deposits and other current assets	8,936	9,061
Income tax receivable	1,836	15,821
Deferred income taxes	6,528	4,841
Total current assets	243,337	242,804
Property and equipment, net	61,322	61,542
Restricted cash	126,183	120,323
Deferred income taxes	6,843	12,831
Goodwill	36,960	36,960
Intangible assets, net	24,077	26,404
Other assets, net	21,027	18,811
Total assets	\$ 519,749	\$ 519,675
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 18,377	\$ 21,852
Accrued wages and benefits	21,517	19,750
Current portion of workers' compensation claims reserve	43,148	51,414
Other current liabilities	373	2,292
Total current liabilities	83,415	95,308
Workers' compensation claims reserve, less current portion	151,350	152,178
Other non-current liabilities	3,526	2,060
Total liabilities	238,291	249,546
Commitments and contingencies		
Shareholders' equity:		

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Preferred stock, \$0.131 par value, 20,000 shares authorized;

Common stock, no par value, 100,000 shares authorized; 43,790 and 43,340 shares issued and outstanding	1	1
Accumulated other comprehensive income	2,108	1,992
Retained earnings	279,349	268,136

Total shareholders' equity	281,458	270,129
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Total liabilities and shareholders' equity	\$ 519,749	\$ 519,675
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See accompanying notes to consolidated financial statements

Page - 3

Table of Contents**TrueBlue, Inc.****Consolidated Statements of Operations****In Thousands (Except Per Share Data)****(Unaudited)**

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 25, 2009	September 26, 2008	September 25, 2009	September 26, 2008
Revenue from services	\$ 284,843	\$ 387,914	\$ 756,268	\$ 1,082,640
Cost of services	202,220	272,736	538,144	758,564
Gross profit	82,623	115,178	218,124	324,076
Selling, general and administrative expenses	64,950	86,226	196,644	253,279
Depreciation and amortization	4,237	3,988	12,662	11,863
Income from operations	13,436	24,964	8,818	58,934
Interest expense	(466)	(295)	(997)	(678)
Interest and other income	706	1,344	3,150	5,247
Interest and other income, net	240	1,049	2,153	4,569
Income before tax expense	13,676	26,013	10,971	63,503
Income tax expense	5,437	9,678	4,305	21,639
Net income	\$ 8,239	\$ 16,335	\$ 6,666	\$ 41,864
Net income per common share:				
Basic	\$ 0.19	\$ 0.38	\$ 0.16	\$ 0.97
Diluted	\$ 0.19	\$ 0.38	\$ 0.16	\$ 0.97
Weighted average shares outstanding:				
Basic	42,906	42,460	42,808	43,005
Diluted	43,121	42,695	42,930	43,176

See accompanying notes to consolidated financial statements

Table of Contents**TrueBlue, Inc.****Consolidated Statements of Cash Flows****In Thousands****(Unaudited)**

	Thirty-nine weeks ended September 25, 2009	September 26, 2008
Cash flows from operating activities:		
Net income	\$ 6,666	\$ 41,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,662	11,863
Provision for doubtful accounts	7,969	6,697
Stock-based compensation	5,597	6,229
Deferred income taxes	4,081	(7,102)
Other operating activities	1,037	530
Changes in operating assets and liabilities, exclusive of business acquired:		
Accounts receivable	(33,505)	(11,394)
Income taxes	12,917	(4,350)
Other assets	(1,095)	
Accounts payable and other accrued expenses	(4,225)	(1,663)
Accrued wages and benefits	1,803	(2,654)
Workers compensation claims reserve	(9,094)	4,106
Other liabilities	(152)	(3,216)
Net cash provided by operating activities	4,661	40,910
Cash flows from investing activities:		
Capital expenditures	(10,540)	(20,009)
Purchases of marketable securities		(27,158)
Maturities of marketable securities		38,087
Acquisition of business, net of cash acquired		(21,270)
Change in restricted cash	(5,860)	4,712
Other	85	
Net cash used in investing activities	(16,315)	(25,638)
Cash flows from financing activities:		
Purchases and retirement of common stock		(15,997)
Net proceeds from sale of stock through options and employee benefit plans	838	3,173
Shares withheld for taxes upon vesting of restricted stock	(820)	(918)
Payments on debt	(304)	(193)
Other	(996)	(229)

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Net cash used in financing activities	(1,282)	(14,164)
Effect of exchange rates on cash	356	(636)
Net change in cash and cash equivalents	(12,580)	472
CASH AND CASH EQUIVALENTS, beginning of period	108,102	57,008
CASH AND CASH EQUIVALENTS, end of period	\$ 95,522	\$ 57,480

See accompanying notes to consolidated financial statements

Page - 5

Table of Contents

Notes to Consolidated Financial Statements

NOTE 1: ACCOUNTING PRINCIPLES AND PRACTICES

The accompanying unaudited consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The unaudited consolidated financial statements reflect all adjustments, which in the opinion of management are necessary to fairly state the financial position, results of operations and cash flows for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 26, 2008. The same accounting policies are followed for preparing quarterly and annual financial information. Operating results for the thirty-nine week period ended September 25, 2009 are not necessarily indicative of the results that may be expected for the year ending December 25, 2009.

The consolidated financial statements are presented on a 52/53-week fiscal year end basis, with the last day of the fiscal year ending on the last Friday of December. Fiscal years 2009 and 2008 are 52-week years.

Recently adopted accounting pronouncements

On September 26, 2009, we adopted changes issued by the Financial Accounting Standards Board (FASB) to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards CodificationTM (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates (ASU). Accounting Standards Updates serve to update the Codification. The Codification only changes the manner in which new accounting guidance is referenced. The adoption of these changes had no impact on the Financial Statements.

On December 27, 2008, we adopted the FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets* (ASC 350-30-50-4 & 5 and ASC 350-30-55-1C *General Intangibles Other than Goodwill*). This FSP amends the factor