

TrueBlue, Inc.
Form 10-Q
May 01, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 27, 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 April 24, 2009, there were 43,798,188 shares of the registrant's common stock outstanding.

Documents incorporated by reference: None.

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

	March 27, 2009 (Unaudited)	December 26, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 103,525	\$ 108,102
Accounts receivable, net of allowance for doubtful accounts of \$4.1 and \$5.4 million	92,887	104,979
Prepaid expenses, deposits and other current assets	9,371	9,061
Income tax receivable	14,829	15,821
Deferred income taxes	7,358	4,841
Total current assets	227,970	242,804
Property and equipment, net	62,535	61,542
Restricted cash	123,603	120,323
Deferred income taxes	14,120	12,831
Goodwill	36,960	36,960
Intangible assets, net	25,670	26,404
Other assets, net	18,765	18,811
Total assets	\$ 509,623	\$ 519,675
 LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 20,128	\$ 21,852
Accrued wages and benefits	18,260	19,750
Current portion of workers compensation claims reserve	48,649	51,414
Other current liabilities	365	2,292
Total current liabilities	87,402	95,308
Workers compensation claims reserve, less current portion	151,976	152,178
Other non-current liabilities	3,802	2,060
Total liabilities	243,180	249,546
Commitments and contingencies		

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Shareholders' equity:		
Preferred stock, \$0.131 par value, 20,000 shares authorized;		
Common stock, no par value, 100,000 shares authorized;		
43,752 and 43,340 shares issued and outstanding	1	1
Accumulated other comprehensive income	2,015	1,992
Retained earnings	264,427	268,136
Total shareholders' equity	266,443	270,129
Total liabilities and shareholders' equity	\$ 509,623	\$ 519,675

See accompanying notes to consolidated financial statements

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

	Thirteen weeks ended	
	March 27, 2009	March 28, 2008
Revenue from services	\$ 224,414	\$ 324,016
Cost of services	161,743	225,661
Gross profit	62,671	98,355
Selling, general and administrative expenses	68,311	82,484
Depreciation and amortization	4,145	3,908
Income (loss) from operations	(9,785)	11,963
Interest expense	(98)	(132)
Interest and other income	1,299	2,028
Interest and other income, net	1,201	1,896
Income (loss) before tax expense (benefit)	(8,584)	13,859
Income tax expense (benefit)	(3,281)	5,058
Net income (loss)	\$ (5,303)	\$ 8,801
Net income (loss) per common share:		
Basic	\$ (0.12)	\$ 0.20
Diluted	\$ (0.12)	\$ 0.20
Weighted average shares outstanding:		
Basic	42,682	43,362
Diluted	42,682	43,494

See accompanying notes to consolidated financial statements

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

	Thirteen weeks ended	
	March 27, 2009	March 28, 2008
Cash flows from operating activities:		
Net income (loss)	\$ (5,303)	\$ 8,801
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,145	3,908
Provision for doubtful accounts	1,702	2,252
Stock-based compensation	2,497	2,768
Deferred income taxes	(3,777)	421
Other operating activities	790	132
Changes in operating assets and liabilities, exclusive of business acquired:		
Accounts receivable	10,390	(796)
Income taxes	358	(6,036)
Other assets	(264)	1,916
Accounts payable and other accrued expenses	(2,474)	(510)
Accrued wages and benefits	(1,465)	463
Workers compensation claims reserve	(2,967)	602
Other liabilities	(52)	(486)
Net cash provided by operating activities	3,580	13,435
Cash flows from investing activities:		
Capital expenditures	(4,527)	(5,829)
Purchases of marketable securities		(27,144)
Maturities of marketable securities		37,055
Acquisition of business, net of cash acquired		(5,319)
Change in restricted cash	(3,280)	6,199
Other	71	45
Net cash provided by (used in) investing activities	(7,736)	5,007
Cash flows from financing activities:		
Net proceeds from sale of stock through options and employee benefit plans	322	544
Shares withheld for taxes upon vesting of restricted stock	(591)	(617)
Payments on debt	(133)	(64)
Net cash used in financing activities	(402)	(137)
Effect of exchange rates on cash	(19)	(288)

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Net change in cash and cash equivalents	(4,577)	18,017
CASH AND CASH EQUIVALENTS, beginning of period	108,102	57,008
CASH AND CASH EQUIVALENTS, end of period	\$ 103,525	\$ 75,025

See accompanying notes to consolidated financial statements

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 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, including normal recurring 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 year ended December 26, 2008. The same accounting policies are followed for preparing quarterly and annual financial information. Operating results for the thirteen week period ended March 27, 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 December 27, 2008, we adopted the FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standard (SFAS) No. 142, *Goodwill and Other Intangible Assets*. The adoption of FSP 142-3 did not have a material effect on our consolidated financial position, results of operations or cash flows.

On December 27, 2008, we adopted SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R) and the associated FSP No. 141(R)-1, which replaced SFAS 141. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any resulting goodwill, and any non-controlling interest in the acquiree. SFAS 141R also provides for disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS 141R are to be applied prospectively to business combinations completed on or after the adoption date. For acquisitions completed prior to December 27, 2008, the new standard requires that changes in deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period must be recognized in earnings rather than as an adjustment to the cost of the acquisition. The adoption of SFAS 141R and FSP No. 141(R)-1 did not have a material effect on our consolidated financial position, results of operations or cash flows.

NOTE 2: CASH AND CASH EQUIVALENTS

Our cash and cash equivalents are classified within Level 1 of the fair value hierarchy. Our Level 1 investments are valued using quoted market prices in active markets. As of March 27, 2009 and December 26, 2008, our Level 1 cash equivalents consisted of money market accounts totaling \$63.3 million and \$55.2 million, respectively, and were recorded as Cash and cash equivalents in our Consolidated Balance Sheet. We had no Level 2 or Level 3 investments as of March 27, 2009 and December 26, 2008.

NOTE 3: RESTRICTED CASH

Restricted cash consists primarily of cash held by our insurance carrier as collateral for our workers' compensation program. We have agreements with certain financial institutions through our wholly-owned and consolidated subsidiary, Workers' Assurance of Hawaii, Inc. (our Workers' Assurance Program), that allow us to restrict cash for the purpose of providing cash-backed instruments for our workers' compensation collateral. These instruments include cash-backed letters of credit, cash held in trusts and cash deposits held by our insurance carriers. Committed collateral represents instruments that have been provided or pledged to an insurance company for either the direct payment of claims, or to cover the cost of claims in the event we are unable to make payment. The majority of our collateral is held by AIU Holdings, Inc. (AIU) formerly known as AIG Commercial Insurance, a subsidiary of American International Group, Inc. (AIG).

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The following is a summary of restricted cash (in millions):

	March 27, 2009	December 26, 2008
Workers Assurance Program - committed collateral	\$ 117.9	\$ 114.6
Cash collateralizing surety bonds and deposits - committed collateral	4.9	4.9
Other	0.8	0.8
Total Restricted Cash	\$ 123.6	\$ 120.3

NOTE 4: PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost and consist of the following (in millions):

	March 27, 2009	December 26, 2008
Buildings and land	\$ 24.1	\$ 24.1
Computers and software	61.1	53.3
Cash dispensing machines	12.1	12.2
Furniture and equipment	9.4	9.5
Construction in progress	3.7	7.6
	110.4	106.7
Less accumulated depreciation and amortization	(47.9)	(45.2)
	\$ 62.5	\$ 61.5

NOTE 5: INTANGIBLE ASSETS

The following table presents our purchased intangible assets other than Goodwill (in millions):

	March 27, 2009			December 26, 2008			
	Gross Carrying	Accumulated Amortization	Net Carrying Amount	Gross Carrying	Accumulated Amortization	Impairment Adjustment	Net Carrying Amount
Amortizable intangible assets (1):							
Customer relationships	\$ 18.0	\$ (2.7)	\$ 15.3	\$ 39.9	\$ (10.5)	\$ (13.6)	\$ 15.8
Trade name/trademarks	3.5	(0.6)	2.9	3.5	(0.5)		3.0
Non-compete agreements	2.3	(0.6)	1.7	3.3	(1.0)	(0.5)	1.8