

BARRETT BUSINESS SERVICES INC
Form 10-Q
August 11, 2008
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 June 30, 2008

Commission File No. 0-21886

BARRETT BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-0812977 (IRS Employer Identification No.)
8100 NE Parkway Drive, Suite 200 Vancouver, Washington (Address of principal executive offices)	98662 (Zip Code)
(360) 828-0700 (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, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Edgar Filing: BARRETT BUSINESS SERVICES INC - Form 10-Q

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

Number of shares of common stock, \$.01 par value, outstanding at July 31, 2008 was 10,740,089 shares.

Table of Contents

BARRETT BUSINESS SERVICES, INC.

INDEX

	Page
Part I - Financial Information	
Item 1. Unaudited Interim Consolidated Financial Statements	
<u>Consolidated Balance Sheets - June 30, 2008 and December 31, 2007</u>	3
<u>Consolidated Statements of Operations - Three Months Ended June 30, 2008 and 2007</u>	4
<u>Consolidated Statements of Operations - Six Months Ended June 30, 2008 and 2007</u>	5
<u>Consolidated Statements of Cash Flows - Six Months Ended June 30, 2008 and 2007</u>	6
<u>Notes to Unaudited Interim Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
Item 4. <u>Controls and Procedures</u>	25
Part II - Other Information	
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 4. <u>Submission of Matters to Vote of Security Holders</u>	27
Item 6. <u>Exhibits</u>	27
<u>Signatures</u>	28
<u>Exhibit Index</u>	29

Table of Contents

Part I - Financial Information

Item 1. Financial Statements

BARRETT BUSINESS SERVICES, INC.

Consolidated Balance Sheets

(Unaudited)

(In thousands, except per share amounts)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,640	\$ 9,777
Marketable securities	30,098	50,364
Trade accounts receivable, net	45,296	36,673
Prepaid expenses and other	1,994	2,336
Deferred income taxes	3,271	3,138
Workers compensation receivables for insured claims	225	225
Total current assets	97,524	102,513
Marketable securities	7,755	4,772
Goodwill, net	45,316	41,508
Property, equipment and software, net	15,863	16,136
Restricted marketable securities and workers compensation deposits	3,896	2,750
Other assets	1,671	1,649
Workers compensation receivables for insured claims	3,490	3,896
	\$ 175,515	\$ 173,224
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,212	\$ 1,516
Accrued payroll, payroll taxes and related benefits	37,855	33,553
Income taxes payable	527	
Other accrued liabilities	713	1,064
Workers compensation claims liabilities	7,037	6,031
Workers compensation claims liabilities for insured claims	225	225
Safety incentives liability	4,663	5,911
Total current liabilities	52,232	48,300
Customer deposits	687	752
Long-term workers compensation claims liabilities	4,926	4,021
Long-term workers compensation claims liabilities for insured claims	2,372	2,464
Deferred income taxes	3,269	3,268
Deferred gain on sale and leaseback	610	671
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized; no shares issued and outstanding		
Common stock, \$.01 par value; 20,500 shares authorized, 10,891 and 11,127 shares issued and outstanding	109	111

Edgar Filing: BARRETT BUSINESS SERVICES INC - Form 10-Q

Additional paid-in capital	34,702	38,418
Other comprehensive loss	(1,716)	(1,516)
Retained earnings	78,324	76,735
	111,419	113,748
	\$ 175,515	\$ 173,224

- 3 -

Table of Contents

BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2008	2007
Revenues:		
Staffing services	\$ 40,604	\$ 29,747
Professional employer service fees	31,579	34,139
Total revenues	72,183	63,886
Cost of revenues:		
Direct payroll costs	29,943	22,416
Payroll taxes and benefits	20,721	20,542
Workers compensation	7,465	5,964
Total cost of revenues	58,129	48,922
Gross margin	14,054	14,964
Selling, general and administrative expenses	9,165	7,727
Depreciation and amortization	382	316
Income from operations	4,507	6,921
Other income (expense):		
Investment income, net	535	808
Other	52	(18)
Other income (expense)	587	790
Income before income taxes	5,094	7,711
Provision for income taxes	1,844	2,830
Net income	\$ 3,250	\$ 4,881
Basic earnings per share	\$.30	\$.43
Weighted average number of basic shares outstanding	10,937	11,263
Diluted earnings per share	\$.29	\$.42
Weighted average number of diluted shares outstanding	11,221	11,690

Table of Contents

BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2008	2007
Revenues:		
Staffing services	\$ 76,423	\$ 57,762
Professional employer service fees	61,954	66,712
Total revenues	138,377	124,474
Cost of revenues:		
Direct payroll costs	56,326	43,558
Payroll taxes and benefits	45,166	44,453
Workers compensation	14,269	11,808
Total cost of revenues	115,761	99,819
Gross margin	22,616	24,655
Selling, general and administrative expenses	17,834	15,115
Depreciation and amortization	758	665
Income from operations	4,024	8,875
Other income (expense):		
Interest expense	(3)	(2)
Investment income, net	1,176	1,587
Other	40	(10)
Other income (expense)	1,213	1,575
Income before provision for income taxes	5,237	10,450
Provision for income taxes	1,896	3,841
Net income	\$ 3,341	\$ 6,609
Basic earnings per share	\$.30	\$.58
Weighted average number of basic shares outstanding	11,012	11,259
Diluted earnings per share	\$.30	\$.57
Weighted average number of diluted shares outstanding	11,322	11,686

Table of Contents

BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 3,341	\$ 6,609
Reconciliations of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	758	665
(Gains) losses recognized on marketable securities	(42)	8
Purchases of marketable securities	(31)	(2)
Gains recognized on sale and leaseback	(61)	(61)
Deferred income taxes	2	1,523
Changes in certain assets and liabilities, net of amounts purchased in acquisitions:		
Trade accounts receivable, net	(8,623)	(5,578)
Prepaid expenses and other	342	(169)
Accounts payable	(304)	(218)
Accrued payroll, payroll taxes and related benefits	4,302	1,416
Income taxes payable	527	847
Other accrued liabilities	(351)	421
Workers' compensation claims liabilities	2,225	(1,606)
Safety incentives liability	(1,248)	296
Customer deposits and other assets, net	(101)	122
Net cash provided by operating activities	736	4,273
Cash flows from investing activities:		
Cash paid for acquisitions, including other direct costs	(3,838)	(500)
Purchases of property and equipment, net of amounts purchased in acquisitions	(441)	(429)
Proceeds from sales and maturities of marketable securities	72,378	61,193
Purchases of marketable securities	(55,356)	(62,199)
Proceeds from maturities of restricted marketable securities	1,693	1,807
Purchases of restricted marketable securities	(2,839)	(1,847)
Net cash provided by (used in) investing activities	11,597	(1,975)
Cash flows from financing activities:		
Proceeds from credit-line borrowings	5,040	5,202
Payments on credit-line borrowings	(5,040)	(5,202)
Proceeds from the exercise of stock options	221	25
Dividends paid		