

BARRETT BUSINESS SERVICES INC
Form 10-Q
August 07, 2015
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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, 2015

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 has submitted electronically and posted on its corporate Website, 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 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 (as defined in Rule 12b-2 of the Exchange Act).

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 Exchange Act). Yes No

Number of shares of common stock, \$.01 par value, outstanding at July 31, 2015 was 7,202,062 shares.

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Part I - Financial Information

Item 1. Financial Statements

BARRETT BUSINESS SERVICES, INC.

Consolidated Balance Sheets

(Unaudited)

(In thousands, except per share amounts)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,439	\$ 11,544
Marketable securities	0	29,957
Trade accounts receivable, net	137,862	102,627
Income taxes receivable	8,737	11,421
Prepaid expenses and other	5,689	3,813
Restricted certificates of deposit	26,015	0
Restricted marketable securities and workers compensation deposits	21,343	3,776
Deferred income taxes	15,774	15,791
Total current assets	219,859	178,929
Marketable securities	6,048	20,930
Property, equipment and software, net	22,648	22,675
Restricted certificates of deposit	88,320	114,335
Restricted marketable securities and workers compensation deposits	101,828	58,533
Other assets	4,840	5,306
Goodwill	47,820	47,820
	\$ 491,363	\$ 448,528
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Line of credit	\$ 3,223	\$ 0
Current portion of long-term debt	27,220	25,220
Accounts payable	2,419	2,719
Accrued payroll, payroll taxes and related benefits	144,227	120,133
Other accrued liabilities	1,896	1,917
Workers compensation claims liabilities	60,457	54,049
Safety incentives liability	18,147	14,232

Total current liabilities	257,589	218,270
Long-term workers compensation claims liabilities	169,154	161,933
Long-term debt	14,723	19,833
Deferred income taxes	8,159	8,159
Customer deposits and other long-term liabilities	1,487	1,675
Commitments and contingencies		
Stockholders equity:		
Common stock, \$.01 par value; 20,500 shares authorized, 7,175 and 7,126 shares issued and outstanding	72	71
Additional paid-in capital	6,173	4,410
Accumulated other comprehensive income (loss)	4	(23)
Retained earnings	34,002	34,200
	40,251	38,658
	\$ 491,363	\$ 448,528

The accompanying notes are an integral part of these consolidated financial statements

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BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2015	2014
Revenues:		
Professional employer service fees	\$ 140,048	\$ 112,503
Staffing services	42,347	38,566
 Total revenues	 182,395	 151,069
Cost of revenues:		
Direct payroll costs	32,188	29,311
Payroll taxes and benefits	72,146	61,130
Workers compensation	41,897	30,776
 Total cost of revenues	 146,231	 121,217
 Gross margin	 36,164	 29,852
Selling, general and administrative expenses	21,278	17,958
Depreciation and amortization	709	613
 Income from operations	 14,177	 11,281
Other (expense) income:		
Investment income	148	157
Interest expense	(562)	(44)
Other	(65)	(7)
 Other (expense) income	 (479)	 106
 Income before income taxes	 13,698	 11,387
Provision for income taxes	4,952	4,104
 Net income	 \$ 8,746	 \$ 7,283

Basic earnings per common share	\$	1.22	\$	1.02
Weighted average number of basic common shares outstanding		7,151		7,173
Diluted earnings per common share	\$	1.19	\$	0.98
Weighted average number of diluted common shares outstanding		7,327		7,421
Cash dividends per common share	\$	0.22	\$	0.18

The accompanying notes are an integral part of these consolidated financial statements

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BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2015	2014
Revenues:		
Professional employer service fees	\$ 267,799	\$ 214,192
Staffing services	81,513	72,017
 Total revenues	 349,312	 286,209
Cost of revenues:		
Direct payroll costs	61,952	54,728
Payroll taxes and benefits	160,440	133,947
Workers compensation	81,780	58,376
 Total cost of revenues	 304,172	 247,051
 Gross margin	 45,140	 39,158
Selling, general and administrative expenses	38,253	32,327
Depreciation and amortization	1,392	1,197
 Income from operations	 5,495	 5,634
Other (expense) income:		
Investment income	236	301
Interest expense	(1,082)	(88)
Other	(78)	(17)
 Other (expense) income	 (924)	 196
 Income before income taxes	 4,571	 5,830
Provision for income taxes	1,627	2,130
 Net income	 \$ 2,944	 \$ 3,700

Basic earnings per common share	\$ 0.41	\$ 0.52
Weighted average number of basic common shares outstanding	7,143	7,171
Diluted earnings per common share	\$ 0.40	\$ 0.50
Weighted average number of diluted common shares outstanding	7,328	7,444
Cash dividends per common share	\$ 0.44	\$ 0.36

The accompanying notes are an integral part of these consolidated financial statements

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BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)

	Three Months Ended June 30,	
	2015	2014
Net Income	\$ 8,746	\$ 7,283
Unrealized losses on marketable securities, net of tax of \$(11) and \$(8) in 2015 and 2014, respectively	(17)	(13)
Comprehensive income	\$ 8,729	\$ 7,270

	Six Months Ended June 30,	
	2015	2014
Net Income	\$ 2,944	\$ 3,700
Unrealized gains (losses) on marketable securities, net of tax of \$17 and \$(15) in 2015 and 2014, respectively	27	(24)
Comprehensive income	\$ 2,971	\$ 3,676

The accompanying notes are an integral part of these consolidated financial statements

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BARRETT BUSINESS SERVICES, INC.

Consolidated Statements of Stockholders' Equity

Six Months Ended June 30, 2015 and 2014

(Unaudited)

(In thousands)

	Common Shares	Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, December 31, 2013	7,165	\$ 72	\$ 5,781	\$ (26)	\$ 66,726	\$ 72,553
Common stock issued on exercise of options	17	0	213	0	0	213
Share based compensation expense, net of tax	0	0	671	0	0	671
Excess tax benefits from share-based compensation	0	0	124	0	0	124
Company repurchase of common stock	(20)	0	(991)	0	0	(991)
Cash dividends on common stock	0	0	0	0	(2,582)	(2,582)
Unrealized holding losses on marketable securities, net of tax	0	0	0	(24)	0	(24)
Net income	0	0	0	0	3,700	3,700
Balance, June 30, 2014	7,162	\$ 72	\$ 5,798	\$ (50)	\$ 67,844	\$ 73,664
Balance, December 31, 2014	7,126	\$ 71	\$ 4,410	\$ (23)	\$ 34,200	\$ 38,658
Common stock issued on exercise of options and vesting of restricted stock units	50	1	689	0	0	690
Common stock repurchased on vesting of restricted stock units	(1)					