

LABOR READY INC
Form 10-Q
May 04, 2007

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: March 30, 2007

or

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

Commission File Number: 001-14543

LABOR READY, INC.

(Exact name of Registrant as specified in its charter)

Washington

(State or other jurisdiction of
incorporation or organization)

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

91-1287341
(IRS Employer
Identification No.)

98402
(Zip Code)

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

Edgar Filing: LABOR READY INC - Form 10-Q

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):

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 Act). Yes No

As of April 27, 2007, there were 46,419,810 shares of the registrant's common stock outstanding.

Documents incorporated by reference: None.

LABOR READY, INC.

INDEX

Part I. Financial Information

<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Consolidated Balance Sheets</u>
	<u>March 30, 2007 and December 29, 2006</u>
	<u>Consolidated Statements of Income</u>
	<u>Thirteen Weeks Ended March 30, 2007 and March 31, 2006</u>
	<u>Consolidated Statements of Comprehensive Income</u>
	<u>Thirteen Weeks Ended March 30, 2007 and March 31, 2006</u>
	<u>Consolidated Statements of Cash Flows</u>
	<u>Thirteen Weeks Ended March 30, 2007 and March 31, 2006</u>
	<u>Notes to Consolidated Financial Statements</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of</u>
	<u>Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures</u>
	<u>About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>

Part II. Other Information

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

Signatures

PART I. Financial Information**Item 1. Financial Statements****LABOR READY, INC.****CONSOLIDATED BALANCE SHEETS**

In Thousands

ASSETS

	March 30, 2007 (Unaudited)	December 29, 2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,796	\$ 107,944
Marketable securities	83,822	91,510
Accounts receivable	119,205	125,282
Allowance for doubtful accounts	(4,456)	(5,109)
Prepaid expenses, deposits and other	13,578	15,651
Income tax receivable	-	2,229
Deferred income taxes	4,134	2,251
Total current assets	276,079	339,758
PROPERTY AND EQUIPMENT:		
Buildings and land	22,149	21,505
Computers and software	44,450	39,341
Cash dispensing machines	14,268	14,280
Furniture and equipment	8,551	8,345
	89,418	83,471
Less accumulated depreciation and amortization	53,275	51,522
Property and equipment, net	36,143	31,949
OTHER ASSETS:		
Restricted cash and other assets	145,622	143,731
Deferred income taxes	4,883	6,972
Goodwill	37,364	37,364
Other assets, net	30,270	32,532
Total other assets	218,139	220,599
Total assets	\$ 530,361	\$ 592,306

See accompanying notes to consolidated financial statements

LABOR READY, INC.

CONSOLIDATED BALANCE SHEETS

In Thousands (Except Par Values)

LIABILITIES AND SHAREHOLDERS EQUITY

	March 30, 2007 (Unaudited)	December 29, 2006
CURRENT LIABILITIES:		
Accounts payable	\$ 28,131	\$ 22,653
Accrued wages and benefits	20,417	25,596
Current portion of workers compensation claims reserve	49,669	52,229
Income tax payable	2,131	-
Other current liabilities	815	907
Total current liabilities	101,163	101,385
LONG-TERM LIABILITIES:		
Workers compensation claims reserve, less current portion	138,178	137,206
Other non-current liabilities	1,251	1,197
Total long-term liabilities	139,429	138,403
Total liabilities	240,592	239,788
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Preferred stock, \$0.131 par value, 20,000 shares authorized; No shares issued and outstanding		
Common stock, no par value, 100,000 shares authorized; 46,940 and 50,637 shares issued and outstanding	3,248	76,372
Cumulative foreign currency translation adjustment, net of tax	2,749	2,717
Cumulative unrealized gain on marketable securities	6	11
Retained earnings	283,766	273,418
Total shareholders equity	289,769	352,518
Total liabilities and shareholders equity	\$ 530,361	\$ 592,306

See accompanying notes to consolidated financial statements

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF INCOME

In Thousands (Except Per Share Data)

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Revenue from services	\$ 290,237	\$ 297,067
Cost of services	197,446	204,150
Gross profit	92,791	92,917
Selling, general and administrative expenses	77,376	74,224
Depreciation and amortization	2,401	2,796
Income from operations	13,014	15,897
Interest expense	(262)	(263)
Interest and other income	3,544	3,009
Interest and other income, net	3,282	2,746
Income before tax expense	16,296	18,643
Income tax	5,948	7,177
Net income	\$ 10,348	\$ 11,466
Net income per common share:		
Basic	\$ 0.21	\$ 0.21
Diluted	\$ 0.21	\$ 0.21
Weighted average shares outstanding:		
Basic	49,076	53,680
Diluted	49,342	54,447

See accompanying notes to consolidated financial statements

LABOR READY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In Thousands

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
Net income	\$ 10,348	\$ 11,466
Other comprehensive income:		
Foreign currency translation adjustment, net of tax	32	145
Unrealized (loss) gain on marketable securities	(5)	9
Other comprehensive income	27	154
Comprehensive income	\$ 10,375	\$ 11,620

See accompanying notes to consolidated financial statements

LABOR READY, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****In Thousands****(Unaudited)**

	Thirteen Weeks Ended	
	March 30, 2007	March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,348	\$ 11,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,401	2,796
Provision for doubtful accounts	1,631	1,598
Deferred income taxes	229	(7,763)
Stock-based compensation	2,356	2,497
Excess tax benefits from stock-based compensation	(418)	(1,877)
Other operating activities	-	(194)
Changes in operating assets and liabilities:		
Accounts receivable	3,793	8,992
Income taxes	4,792	15,160
Other assets	3,889	506
Accounts payable	5,478	