

TrueBlue, Inc.  
Form 10-Q  
April 30, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended: March 30, 2012  
or

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

Commission File Number: 001-14543

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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.)
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1015 A Street, Tacoma, Washington (Address of principal executive offices)	98402 (Zip Code)
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Registrant's telephone number, including area code: (253) 383-9101

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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

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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 20, 2012, there were 40,397,813 shares of the registrant's common stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## TRUEBLUE, INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

(unaudited)

	March 30, 2012	December 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 125,005	\$ 109,311
Accounts receivable, net of allowance for doubtful accounts of \$5.6 million and \$5.8 million	144,388	153,878
Prepaid expenses, deposits and other current assets	8,928	9,252
Income tax receivable	1,474	1,874
Deferred income taxes	5,032	6,300
Total current assets	284,827	280,615
Property and equipment, net	56,296	56,239
Restricted cash and investments	130,724	130,498
Deferred income taxes	7,092	4,818
Goodwill	48,139	48,139
Intangible assets, net	18,659	19,433
Other assets, net	20,275	21,027
Total assets	\$566,012	\$ 560,769
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued expenses	\$23,578	\$25,862
Accrued wages and benefits	36,726	35,271
Current portion of workers' compensation claims reserve	42,170	43,554
Other current liabilities	9,916	7,602
Total current liabilities	112,390	112,289
Workers' compensation claims reserve, less current portion	148,797	148,289
Other long-term liabilities	4,828	6,612
Total liabilities	266,015	267,190
Commitments and contingencies (Note 7)		
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; 40,405 and 39,933 shares issued and outstanding	1	1
Accumulated other comprehensive income	2,904	2,643
Retained earnings	297,092	290,935
Total shareholders' equity	299,997	293,579
Total liabilities and shareholders' equity	\$566,012	\$ 560,769

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	Thirteen weeks ended	
	March 30, 2012	April 1, 2011
Revenue from services	\$311,187	\$274,300
Cost of services	231,952	204,269
Gross profit	79,235	70,031
Selling, general and administrative expenses	72,082	65,159
Depreciation and amortization	4,768	3,922
Income from operations	2,385	950
Interest expense	(391	) (273
Interest and other income	655	581
Interest and other income, net	264	308
Income before tax expense	2,649	1,258
Income tax expense	1,119	492
Net income	\$1,530	\$766
Net income per common share:		
Basic	\$0.04	\$0.02
Diluted	\$0.04	\$0.02
Weighted average shares outstanding:		
Basic	39,425	43,460
Diluted	39,914	43,854
Comprehensive income	\$1,791	\$1,024

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

	Thirteen weeks ended	
	March 30, 2012	April 1, 2011
Cash flows from operating activities:		
Net income	\$1,530	\$766
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	4,768	3,922
Provision for doubtful accounts	1,049	576
Stock-based compensation	2,902	2,575
Deferred income taxes	(1,006	) 690
Other operating activities	(401	) (527
Changes in operating assets and liabilities:		
Accounts receivable	8,441	(12,294
Income taxes	1,037	(1,264
Other assets	1,076	458

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Accounts payable and other accrued expenses	(2,644	) (2,547	)
Accrued wages and benefits	1,513	3,695	
Workers' compensation claims reserve	(876	) (542	)
Other liabilities	303	(103	)
Net cash provided by (used in) operating activities	17,692	(4,595	)
Cash flows from investing activities:			
Capital expenditures	(3,704	) (1,691	)
Change in restricted cash and cash equivalents	3,529	(635	)
Purchases of restricted investments	(7,662	) (3,106	)
Maturities of restricted investments	3,907	—	
Net cash provided by (used in) investing activities	(3,930	) (5,432	)
Cash flows from financing activities:			
Net proceeds from sale of stock through options and employee benefit plans	2,894	424	
Common stock repurchases for taxes upon vesting of restricted stock	(1,807	) (1,460	)
Payments on debt	—	(103	)
Other	637	541	
Net cash provided by (used in) financing activities	1,724	(598	)
Effect of exchange rates on cash	208	262	
Net change in cash and cash equivalents	15,694	(10,363	)
CASH AND CASH EQUIVALENTS, beginning of period	109,311	163,153	
CASH AND CASH EQUIVALENTS, end of period	\$ 125,005	\$ 152,790	
See accompanying notes to consolidated financial statements			

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Notes to Consolidated Financial Statements

NOTE 1: ACCOUNTING PRINCIPLES AND PRACTICES

The accompanying unaudited consolidated financial statements (“financial statements”) are prepared in accordance with accounting principles generally accepted in the United States of America (“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 GAAP have been condensed or omitted. The unaudited financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the Consolidated Financial Statements for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial information. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2011.

Recently Adopted Accounting Standards

During the first quarter of 2012, we adopted the accounting standard regarding the presentation of comprehensive income. This standard was issued to increase the prominence of items reported in other comprehensive income. We have presented all non-owner changes in shareholders' equity in a single, continuous statement in our consolidated financial statements as “Consolidated Statements of Comprehensive Income”. The standard does not change the following: items that must be reported in other comprehensive income, when an item of other comprehensive income must be reclassified to net income, the requirement to disclose the tax effect for each component of other comprehensive income or how earnings per share is calculated or presented. Our comprehensive income includes foreign currency translation and unrealized gains and losses on investments. The adoption of this standard in the first quarter of 2012 impacted our financial statement presentation only.

Subsequent Events

We evaluated other events and transactions occurring after the balance sheet date through the date that the financial statements were issued, and noted no other events that were subject to recognition or disclosure.

NOTE 2: FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We apply a fair value hierarchy which prioritizes the inputs used to measure fair value:

- Level 1: Investments valued using quoted market prices in active markets for identical assets or liabilities.
- Level 2: Investments valued using other observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Investments with no observable inputs and therefore, are valued using significant management judgment.

The carrying value of our cash and cash equivalents, restricted cash and accounts receivable approximates fair value due to their short term nature. Cash equivalents consist of money market funds and investments with original maturities of three months or less and are classified within Level 1 of the fair value hierarchy. Our cash equivalents included money market funds totaling \$69.3 million and \$55.5 million as of March 30, 2012 and December 30, 2011, respectively. We held no Level 2 or Level 3 investments as of March 30, 2012 or December 30, 2011.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consist primarily of collateral that has been provided or pledged to insurance carriers for workers' compensation and state workers' compensation programs. Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade securities, primarily in U.S. Treasury Securities, U.S. Agency Debentures, U.S. Agency Mortgages, Corporate Securities and Municipal Securities. The majority of our collateral obligations are held in a trust ("Trust") at the Bank of New York Mellon.

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

	March 30, 2012	December 30, 2011
Cash collateral held by insurance carriers	\$21.3	\$21.3
Cash and cash equivalents held in Trust (1)	19.2	19.2
Investments held in Trust	81.2	78.0
Cash collateral backing letters of credit	1.8	5.9
Other (2)	7.2	6.1
Total Restricted cash and investments	\$130.7	\$130.5

(1)Included in this amount is \$0.8 million of accrued interest at both March 30, 2012 and December 30, 2011.

(2)Primarily consists of restricted cash in money market accounts and deferred compensation plan accounts.

The following is a summary of held-to-maturity investments (in millions):

	March 30, 2012			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal securities	\$44.9	\$0.8	\$(0.1)	) \$45.6
Corporate bonds	16.1	0.2	—	16.3
Asset backed bonds	14.7	0.2	—	14.9
State government and agency securities	4.5	—	—	4.5
United States Treasury securities	1.0	—	—	1.0
	\$81.2	\$1.2	\$(0.1)	) \$82.3
	December 30, 2011			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal securities	\$42.8	\$0.8	\$(0.1)	) \$43.5
Corporate bonds	16.1	0.2	—	16.3
Asset backed bonds	13.6	0.1	—	13.7
State government and agency securities	4.5	—	—	4.5
United States Treasury securities	1.0	—	—	1.0
	\$78.0	\$1.1	\$(0.1)	) \$79.0

The amortized cost and fair value by maturity of investments are as follows (in millions):

	March 30, 2012	
	Amortized Cost	Fair Value
Due in one year or less	\$13.1	\$13.1
Due after one year through five years	41.0	41.6



Due after five years through ten years	27.1	27.6
	\$81.2	\$82.3

NOTE 4: PROPERTY AND EQUIPMENT, NET

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

	March 30, 2012	December 30, 2011
Buildings and land	\$25.3	\$24.5
Computers and software	83.5	80.5
Cash dispensing machines	4.3	4.5