

TRUEBLUE, INC.

FORM 10-Q (Quarterly Report)

Filed 11/22/95 for the Period Ending 09/30/95

| | |
|-------------|-----------------------------------|
| Address | 1015 A STREET TACOMA, WA 98402 |
| Telephone | 253-383-9101 |
| CIK | 0000768899 |
| Symbol | TBI |
| SIC Code | 7363 - Help Supply Services |
| Industry | Business Services |
| Sector | Services |
| Fiscal Year | 12/31 |

LABOR READY INC

FORM 10-Q (Quarterly Report)

Filed 11/22/1995 For Period Ending 9/30/1995

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|-------------|---|
| Address | 1015 A STREET TACOMA, Washington 98402 |
| Telephone | 253-383-9101 |
| CIK | 0000768899 |
| Industry | Business Services |
| Sector | Services |
| Fiscal Year | 12/31 |

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 quarter ended September 30, 1995

Commission File number 0-23828

Labor Ready, Inc.

(Exact Name of Registrant as specified in its charter)

Washington
(State of Incorporation)

91-1287341
(Federal I.R.S. No.)

2156 Pacific Avenue, Tacoma, Washington 98402
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number 206-383-9101

**Securities registered pursuant to Section 12(b) or 12(g) of the Act:
Common Stock, No Par Value**

Indicate by checkmark 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 if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-Q or any amendment to this Form 10-Q. (X).

The aggregate market value of the voting stock held by nonaffiliates of the registrant on September 30, 1995 was \$51,407,874.

As of September 30, 1995, the Registrant had 3,878,415 shares of Common Stock and 854,082 shares of Preferred Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

**LABOR READY, INC.
CONSOLIDATED FINANCIAL STATEMENTS**

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| Consolidated Statements of Financial Position at September 30, 1995 and December 31, 1994 | FS1 - FS2 |
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| Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 1995 and 1994 | FS4 - FS5 |

| | ASSETS | |
|--|--------------|-------------|
| | 1995 | 1994 |
| CURRENT ASSETS: | | |
| Cash and equivalents | \$ 848,524 | \$ 603,977 |
| Workmen's compensation deposits | | 1,130,575 |
| Accounts receivable, net of allowance for doubtful accounts of \$558,059 and \$365,927 | 14,223,147 | 5,162,830 |
| Workers, compensation credits receivable | 262,600 | 206,794 |
| Prepaid expenses and other | 680,426 | 348,814 |
| Notes receivable | 228,800 | |
| Deferred income tax | 118,590 | 118,590 |
| | ----- | ----- |
| Total Current Assets | 16,362,087 | 7,571,580 |
| | ----- | ----- |
| DEPRECIABLE ASSETS AND LAND: | | |
| Cost | 3,026,218 | 1,071,070 |
| Accumulated depreciation | 505,695 | 244,497 |
| | ----- | ----- |
| Total Property and equipment | 2,520,523 | 826,573 |
| | ----- | ----- |
| WORKER'S COMPENSATION RENT-A-CAPTIVE ASSETS | | |
| | 1,769,648 | |
| | ----- | |
| OTHER ASSETS: | | |
| Intangible assets, less amortization of \$92,723 and \$69,020 | 182,846 | 191,431 |
| Workers, compensation credits receivable, less current portion | 382,044 | 105,832 |
| Deferred income tax | 175,145 | 94,366 |
| Other | 140,779 | 122,194 |
| | ----- | ----- |
| Total Other Assets | 880,813 | 513,823 |
| | ----- | ----- |
| TOTAL ASSETS | \$21,533,071 | \$8,911,976 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 1995 | 1994 |
|--|--------------|-------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 645,349 | \$ 268,932 |
| Accrued wages and benefits | 1,464,499 | 390,607 |
| Accrued taxes, other than income | 1,104,766 | 430,880 |
| Accrued interest | 75,234 | 53,002 |
| Accrued workmens' compensation | 625,926 | 708,869 |
| Income taxes payable | 936,027 | 497,000 |
| Note payable, accounts receivable financing | 7,731,789 | 3,160,580 |
| Dividends payable | 32,028 | 42,705 |
| Current portion of long-term debt | 339,071 | 78,291 |
| | ----- | ----- |
| Total Current Liabilities | 12,954,689 | 5,630,866 |
| | ----- | ----- |
| LONG-TERM LIABILITIES: | | |
| Long-term debt, less current maturities | 959,754 | 244,250 |
| 14% Convertible debentures | | 75,000 |
| | ----- | ----- |
| Total Long Term Liabilities | 959,754 | 319,250 |
| | ----- | ----- |
| WORKER'S COMPENSATION RENT-A-CAPTIVE LIABILITIES | | |
| | 1,204,316 | |
| | ----- | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$1 par value: 5,000,000 shares authorized; Issued and outstanding | 854,082 | 854,082 |
| Common stock, no par value: 25,000,000 shares authorized; Issued and outstanding: 3,878,415 and 3,314,729 shares | 5,518,964 | 3,540,187 |
| Cumulative foreign currency translation adjustment | (5,438) | (2,853) |
| Accumulated earnings (deficit) | 46,705 | (1,429,556) |
| | ----- | ----- |
| Total Stockholders' Equity | 6,414,312 | 2,961,860 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$21,533,071 | \$8,911,976 |
| | ===== | ===== |

Consolidated Statement of Operations for
the Nine Months and the Three Months
Ended September 30, 1995 and 1994

| | Nine Months Ended | | Three Months Ended | |
|--------------------------------------|-------------------|--------------|--------------------|--------------|
| | 1995 | 1994 | 1995 | 1994 |
| REVENUES | \$63,240,036 | \$25,635,755 | \$30,872,700 | \$12,099,977 |
| COST OF REVENUES | 51,066,172 | 20,298,766 | 24,689,547 | 9,409,288 |
| | ----- | ----- | ----- | ----- |
| | 12,173,864 | 5,336,989 | 6,183,153 | 2,690,689 |
| OPERATING EXPENSES | 9,158,043 | 4,133,823 | 3,515,036 | 1,917,591 |
| | ----- | ----- | ----- | ----- |
| INCOME FROM OPERATIONS | 3,015,821 | 1,203,166 | 2,668,117 | 773,098 |
| OTHER (DEDUCTIONS) | (659,121) | (272,018) | (367,950) | (133,019) |
| | ----- | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAX | 2,356,700 | 931,148 | 2,300,167 | 640,079 |
| INCOME TAX PROVISION | 848,412 | 316,590 | 829,191 | 217,989 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$1,508,288 | \$ 614,558 | \$1,470,976 | \$ 422,090 |
| | ===== | ===== | ===== | ===== |
| EARNINGS PER COMMON SHARE:Net Income | \$.37 | \$.21 | \$.36 | \$.14 |
| | ===== | ===== | ===== | ===== |
| Weighted average shares outstanding | 4,014,182 | 2,715,771 | 4,054,215 | 2,944,074 |
| | ===== | ===== | ===== | ===== |

| | Nine Months Ended | |
|--|-------------------|-------------|
| | 1995 | 1994 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| NET INCOME (LOSS): | | |
| Consolidated operations | \$1,508,288 | \$ 614,558 |
| Adjustments to Reconcile Net Income to Net Cash Applied to Operating Activities: | | |
| Depreciation & amortization | 284,901 | 89,386 |
| Provision for doubtful account | 192,132 | |
| Changes in Assets & Liabilities: | | |
| Account receivable | (9,252,449) | (3,754,618) |
| Worker's compensation credits receivable | (332,018) | (112,774) |
| Prepaid income taxes | | 9,308 |
| Other current assets | | (472,659) |
| Restricted cash and worker's compensation deposits | 1,130,575 | |
| Prepaid expenses and other | (357,635) | |
| Accounts payable | 376,417 | 193,069 |
| Accrued wages and benefits | 1,073,892 | (51,105) |
| Accrued taxes, other than income | 673,886 | 444,552 |
| Accrued interest | 22,232 | 59,026 |
| Accrued workmens' compensation | (82,943) | 454,704 |
| Income taxes payable | 439,027 | 298,160 |
| Change in deferred income taxes | (80,779) | |
| NET CASH USED IN OPERATING ACTIVITIES | (4,404,474) | (2,228,392) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net investment rent-a-captive | (565,332) | |
| Capital expenditures | (1,137,248) | (375,419) |
| NET CASH USED IN INVESTING ACTIVITIES | (1,702,580) | (375,419) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings on note payable | 4,571,209 | 2,567,634 |
| Proceeds from issuance of common stock | 114,998 | 473,350 |
| Proceeds from stock subscriptions | | 51,708 |
| Proceeds from warrants exercised | 1,552,300 | |
| Dividends paid | (42,705) | (50,154) |
| Borrowings on long-term debt | 300,000 | |
| Payments on long-term debt | (141,616) | (150,854) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 6,354,186 | 2,891,684 |
| EFFECT OF EXCHANGE RATES | (2,585) | |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 244,547 | 287,873 |
| CASH AND EQUIVALENTS: | | |
| BEGINNING OF PERIOD | 603,977 | 229,259 |
| END OF PERIOD | \$ 848,524 | \$ 517,132 |

SUPPLEMENTAL DISCLOSURES:

| | | |
|--|------------|------------|
| Interest Paid | \$ 798,260 | \$ 219,992 |
| Income Taxes Paid | \$ 490,164 | |
| Issuance of common stock for conversion of convertible debentures | \$ 75,000 | |
| Issuance common stock for payment accounts payable | \$ 7,679 | |
| Acquisition of Building and Land in exchange of debt | \$ 817,900 | \$ 47,500 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations. The Company increased revenues from services to \$63,240,036 from \$25,635,755, for the nine months ended September 30, 1995 compared to the nine months ended September 30, 1994. This represents an increase of \$37,604,281 or 147%. The sales increase came from an increase in same store sales, and from opening new locations, as indicated below:

| | |
|---------------------------|--------------|
| Same store sales increase | \$ 5,952,364 |
| New locations | 31,651,917 |
| | ----- |
| Total increase | \$37,604,281 |
| | ===== |

The increase in revenues also resulted in an increase in net profit for the nine months ended September 30, 1995 of \$1,508,288 compared to a net profit of \$614,558 for the same period a year earlier. This represents an increase of \$893,730 or 145%. The increase in net profits is primarily the result of a high level of growth in revenues. The high levels of growth have required that the Company continue to incur corresponding levels of operating expenses. Consequently, as a percentage of revenues, net profit has stayed relatively constant at 2.4% of revenues for the nine months ended September 30, 1995 and 1994. Management anticipates high levels of growth through 1996, and expects that net profits as a percentage of revenues will remain relatively constant during this period.

The Company grew from fifty-one operating dispatch locations at December 31, 1994 to one hundred operating locations at September 30, 1995, an increase of forty-nine operating dispatch locations for the nine month period.

Opening costs for new dispatch locations; which are expensed, are estimated to have averaged \$35,000 per location in 1995 and \$25,000 in 1994. In the aggregate, a total of \$1,715,000 was expended on new location openings for the nine months ended September 30, 1995, compared to \$625,000 for the nine months ended September 30, 1994. The Company estimates that two thirds of these new location opening costs are included in cost of sales and one third of these new location opening costs are classified as operating expenses.

Cost of revenues increased to \$51,066,172 for the nine months ended September 30, 1995 from \$20,298,766 for the same period in 1994, an increase of \$30,767,406 or 152%. Cost of revenues as a percentage of revenues increased to 80.7% for the nine months ended September 30, 1995, from 79.2% for the nine months ended September 30, 1994, an increase of 1.5%. This increase is primarily the result of an increase in labor costs.

Operating expenses increased from \$4,133,823 to \$9,158,043, an increase of \$5,024,220 or 122%. As a percentage of revenues, operating expenses decreased to 14.5% for the nine months ended September 30, 1995, from 16.1% for the same period a year earlier. This percentage decrease in operating expenses partially offset the percentage increase on cost of revenues, and resulted primarily from more efficient administrative operations.

Liquidity and Financial Condition. At September 30, 1995 the Company had \$3,407,398 of working capital to finance its operations.

Accounts receivable as a percentage of the previous quarters sales has remained relatively static as a result of the Company's ongoing accounts receivable collection practices. The Company continues to experience a low rate of uncollectible accounts and expects that accounts receivable as a percentage of sales will remain relatively steady in coming periods. A comparison of accounts receivable as a percentage of revenues for the nine month periods ending on September 30, 1995 and 1994, respectively, follows:

| | 1995 | September 30 1994 | September 30 |
|--------------------------|--------------|----------------------|--------------|
| Comparable quarter sales | \$30,872,700 | \$12,099,977 | |
| Accounts receivable, net | 14,223,147 | 5,661,454 | |
| Percentage | 46% | 47% | |

Management intends to open an estimated one hundred new dispatch locations by the end of 1996. To finance these projected new locations and related increases in selling and overhead expenses, the Company recently completed a private placement financing of long-term subordinated debt in the amount of \$10,000,000.

A temporary increase in the accounts receivable operating line of credit to \$9,000,000 was completed in August 1995. In connection with the private placement debt financing, the accounts receivable operating line of credit was reduced to \$5,000,000, and the term was extended through June of 1996.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of matters to a vote of Security Holders.

None

Item 5. Other information.

None

Item 6. Exhibits and Reports on Form 8-K.

None

SIGNATURES

The unaudited interim financial statements furnished by management reflect all adjustments which are, in the position of management, necessary for a fair presentation of financial position and results of operation.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LABOR READY, INC.

Registrant

By : /s/ Glenn Welstad 11/9/95

 Glenn A. Welstad Date
 President
 Chief Executive Officer
 Acting Chief Financial Officer

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 1994 AUDITED FINANCIAL STATEMENTS AND ITS SEPTEMBER 30, 1995 UNAUDITED FINANCIAL STATEMENTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000768899

NAME: LABOR READY, INC.

MULTIPLIER: 1,000

| PERIOD TYPE | 9 MOS | YEAR |
|----------------------------|-------------|-------------|
| FISCAL YEAR END | DEC 31 1994 | DEC 31 1994 |
| PERIOD END | SEP 30 1995 | DEC 31 1994 |
| CASH | 849 | 604 |
| SECURITIES | 0 | 0 |
| RECEIVABLES | 14781 | 5529 |
| ALLOWANCES | 558 | 366 |
| INVENTORY | 0 | 0 |
| CURRENT ASSETS | 16362 | 7572 |
| PP&E | 3026 | 1071 |
| DEPRECIATION | 506 | 244 |
| TOTAL ASSETS | 21533 | 514 |
| CURRENT LIABILITIES | 12955 | 5631 |
| BONDS | 0 | 75 |
| COMMON | 5519 | 3540 |
| PREFERRED MANDATORY | 0 | 0 |
| PREFERRED | 854 | 854 |
| OTHER SE | 0 | 0 |
| TOTAL LIABILITY AND EQUITY | 21533 | 8912 |
| SALES | 63240 | 38951 |
| TOTAL REVENUES | 63240 | 38951 |
| CGS | 51066 | 30713 |
| TOTAL COSTS | 51066 | 30713 |
| OTHER EXPENSES | 9158 | 6593 |
| LOSS PROVISION | 0 | 0 |
| INTEREST EXPENSE | 659 | 457 |
| INCOME PRETAX | 2357 | 1188 |
| INCOME TAX | 848 | 336 |
| INCOME CONTINUING | 1508 | 852 |
| DISCONTINUED | 0 | 0 |
| EXTRAORDINARY | 0 | 0 |
| CHANGES | 0 | 0 |
| NET INCOME | 1508 | 852 |
| EPS PRIMARY | .37 | .27 |
| EPS DILUTED | .37 | .27 |

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