

August 3, 2022



BBSI Reports Strong Second Quarter 2022 Financial Results

- Q2 2022 Net Income of \$18.0 Million, or \$2.48 per Diluted Share -
- Raises Full-Year Outlook -

VANCOUVER, Wash., Aug. 03, 2022 (GLOBE NEWSWIRE) -- Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the second quarter ended June 30, 2022.

Second Quarter 2022 Financial Summary vs. Year-Ago Quarter

- Net revenues up 12% to \$262.2 million.
- Gross billings up 14% to \$1.83 billion.
- Average worksite employees ("WSEs") up 9%.
- Net income up to \$18.0 million, or \$2.48 per diluted share, compared to \$17.1 million, or \$2.24 per diluted share.

"Our strong performance trends have continued across the business, and we have once again exceeded our expectations for the quarter," said BBSI President and CEO, Gary Kramer. "Our sales and marketing efforts continue to bring in more WSEs from client additions than prior years, and clients continued their pace of strong hiring. Given these positive results, we are again pleased to raise our outlook for the year.

"Looking even further ahead, I am also excited about BBSI's new health benefits offering, which will launch in 2023. The ability to offer health insurance benefits to clients further enhances our value proposition and will aid in helping clients attract and retain employees."

Second Quarter 2022 Financial Results

Net revenues in the second quarter of 2022 increased 12% to \$262.2 million compared to \$233.2 million in the second quarter of 2021.

Total gross billings in the second quarter increased 14% to \$1.83 billion compared to \$1.60 billion in the same year-ago quarter (see "Key Performance Metrics and Non-GAAP Financial Measures" below). The increase was driven by higher WSEs from net client additions and net client hiring, as well as from higher average billings per WSE.

Non-GAAP gross workers' compensation expense as a percent of gross billings was 2.6% in the second quarter and benefited from a favorable adjustment of prior accident year liability of \$6.5 million. This compares to 2.9% in the second quarter of 2021.

Net income for the second quarter of 2022 was \$18.0 million, or \$2.48 per diluted share, compared to \$17.1 million, or \$2.24 per diluted share, in the year-ago quarter. The increase is primarily attributable to higher revenue, lower workers' compensation expense and favorable payroll tax rates.

Liquidity

As of June 30, 2022, unrestricted cash and investments were \$111.4 million compared to \$127.4 million in the prior quarter. The decline was due to the timing of payroll tax payments and stock repurchases. BBSI is debt free at quarter end.

Capital Allocation

BBSI's board of directors has confirmed its regular quarterly cash dividend of \$0.30 per share. The cash dividend will be paid on September 2, 2022, to all stockholders of record as of August 19, 2022.

On February 28, 2022, BBSI's board of directors approved a new stock repurchase program authorizing the Company to purchase up to \$75 million of its stock over a two-year period. In the second quarter, BBSI repurchased 269,581 shares at an average price of \$73.88 per share.

Outlook

In light of the strong performance in the second quarter, BBSI is increasing its outlook for 2022 and now expects the following:

- Gross billings growth of 11% to 13%, increased from 10% to 12% in the prior outlook
- Growth in the average number of WSEs of 7% to 8%, increased from 4% to 6% in the prior outlook
- Gross margin as a percent of gross billings of 3.05% to 3.15%, increased from 3.0% to 3.1%
- Effective annual tax rate of 26% to 28%, increased from 25% to 27% in the prior outlook

Conference Call

BBSI will conduct a conference call on Wednesday, August 3, 2022, at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to discuss its financial results for the second quarter ended June 30, 2022.

BBSI's CEO Gary Kramer and CFO Anthony Harris will host the conference call, followed by a question and answer period.

Date: Wednesday, August 3, 2022
Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)
Toll-free dial-in number: 1-877-407-4018
International dial-in number: 1-201-689-8471
Conference ID: 13731534

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the Investors section of the BBSI website at ir.bbsi.com.

A replay of the conference call will be available after 8:00 p.m. Eastern time on the same day through September 3, 2022.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 13731534

Key Performance Metrics and Non-GAAP Financial Measures

We report PEO revenues net of direct payroll costs because we are not the primary obligor for wage payments to our clients' employees. However, management believes that gross billings and wages are useful in understanding the volume of our business activity and serve as an important performance metric in managing our operations, including the preparation of internal operating forecasts and establishing executive compensation performance goals. We therefore present for purposes of analysis gross billings and wage information for the three and six months ended June 30, 2022 and 2021.

(in thousands)	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2022	2021	2022	2021
Gross billings	\$ 1,829,225	\$ 1,601,339	\$ 3,536,400	\$ 3,072,880
PEO and staffing wages	\$ 1,588,990	\$ 1,384,861	\$ 3,071,196	\$ 2,656,253

Because safety incentives represent consideration payable to PEO customers, safety incentive costs are netted against PEO revenue in our consolidated statements of operations. We therefore present below for purposes of analysis non-GAAP gross workers' compensation expense, which represents workers' compensation costs including safety incentive costs. We believe this non-GAAP measure is useful in evaluating the total costs of our workers' compensation program. In July 2020, the Company began limiting its safety incentive offering in certain markets, resulting in a substantial reduction in safety incentive costs.

(in thousands)	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2022	2021	2022	2021
Workers' compensation	\$ 46,483	\$ 45,513	\$ 94,719	\$ 91,860
Safety incentive costs	511	1,470	1,027	1,476
Non-GAAP gross workers' compensation	\$ 46,994	\$ 46,983	\$ 95,746	\$ 93,336

In monitoring and evaluating the performance of our operations, management also reviews the following ratios, which represent selected amounts as a percentage of gross billings. Management believes these ratios are useful in understanding the efficiency and profitability of our service offerings.

	(Unaudited) Percentage of Gross Billings Three Months Ended June 30,		(Unaudited) Percentage of Gross Billings Six Months Ended June 30,	
	2022	2021	2022	2021
PEO and staffing wages	86.9%	86.5%	86.8%	86.4%
Payroll taxes and benefits	6.9%	7.0%	7.4%	7.6%
Non-GAAP gross workers' compensation	2.6%	2.9%	2.7%	3.0%
Gross margin	3.7%	3.6%	3.0%	2.9%

We refer to employees of our PEO clients as WSEs. Management reviews average and ending WSE growth to monitor and evaluate the performance of our operations. Average WSEs are calculated by dividing the number of unique individuals paid in each month by the number of months in the period. Ending WSEs represents the number of unique individuals paid in the last month of the period.

	(Unaudited) Three Months Ended June 30,			
	2022	% Change	2021	% Change
Average WSEs	122,234	8.8%	112,363	9.5%
Ending WSEs	123,853	8.4%	114,288	8.0%

	(Unaudited) Six Months Ended June 30,			
	2022	% Change	2021	% Change
Average WSEs	119,216	9.1%	109,311	1.3%
Ending WSEs	123,853	8.4%	114,288	8.0%

About BBSI

BBSI (NASDAQ: BBSI) is a leading provider of business management solutions, combining human resource outsourcing and professional management consulting to create a unique operational platform that differentiates it from competitors. The Company's integrated platform is built upon expertise in payroll processing, employee benefits, workers' compensation coverage, risk management and workplace safety programs, and human resource administration. BBSI's partnerships help businesses of all sizes improve the efficiency of their operations. For more information, please visit www.bbsi.com.

Forward-Looking Statements

Statements in this release about future events are forward-looking statements. Such

statements involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include economic conditions in the Company's service areas, the effects of the COVID-19 pandemic, inflation, and potential recessionary pressures on our clients, our plans to make certain fully insured medical and other health and welfare benefits available to qualifying worksite employees beginning in 2023, the effect of changes in the Company's mix of services on gross margin, the Company's ability to retain current clients and attract new clients and to achieve revenue growth, the availability of financing or other sources of capital, the Company's relationship with its primary bank lender, the potential for material deviations from expected future workers' compensation claims experience, changes in the workers' compensation regulatory environment in the Company's primary markets, litigation costs, security breaches or failures in the Company's information technology systems, the collectability of accounts receivable, changes in executive management, the carrying value of deferred income tax assets and goodwill, the effects of the pandemic and conditions in the global capital markets on the Company's investment portfolio, and the potential for and effect of acquisitions, among others. Other important factors that may affect the Company's prospects are described in the Company's 2021 Annual Report on Form 10-K and in subsequent reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements are less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

Barrett Business Services, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,098	\$ 69,405
Investments	77,303	96,763
Trade accounts receivable, net	266,870	155,707
Prepaid expenses and other	20,358	17,606
Restricted cash and investments	111,905	67,238
Total current assets	510,534	406,719
Property, equipment and software, net	41,726	36,277
Operating lease right-of-use assets	18,601	20,697
Restricted cash and investments	128,059	232,965
Goodwill	47,820	47,820
Other assets	2,438	2,474
Deferred income taxes	7,096	—
	<u>\$ 756,274</u>	<u>\$ 746,952</u>

Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	\$	—	\$ 3,510
Accounts payable		4,321	4,485
Accrued payroll, payroll taxes and related benefits		282,754	199,067
Income taxes payable		5,214	1,673
Current operating lease liabilities		6,716	7,191
Other accrued liabilities		18,873	15,120
Workers' compensation claims liabilities and premiums		69,130	80,028
Safety incentives liability		2,760	4,322
Total current liabilities		389,768	315,396
Long-term workers' compensation claims liabilities		172,380	199,379
Deferred income taxes		—	1,687
Long-term operating lease liabilities		13,267	14,598
Customer deposits and other long-term liabilities		6,361	7,362
Stockholders' equity		174,498	208,530
	\$	756,274	\$ 746,952

Barrett Business Services, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Professional employer service fees	\$ 232,174	\$ 208,496	\$ 449,607	\$ 402,315
Staffing services	30,005	24,707	58,947	49,333
Total revenues	262,179	233,203	508,554	451,648
Cost of revenues:				
Direct payroll costs	22,458	18,498	44,379	36,948
Payroll taxes and benefits	126,353	111,719	262,218	234,502
Workers' compensation	46,483	45,513	94,719	91,860
Total cost of revenues	195,294	175,730	401,316	363,310
Gross margin	66,885	57,473	107,238	88,338
Selling, general and administrative expenses	42,272	35,662	82,437	72,769
Depreciation and amortization	1,523	1,328	3,031	2,625
Income from operations	23,090	20,483	21,770	12,944
Other income, net	1,554	1,873	3,190	3,343

Income before income taxes	24,644	22,356	24,960	16,287
Provision for income taxes	6,630	5,266	6,658	3,751
Net income	<u>\$ 18,014</u>	<u>\$ 17,090</u>	<u>\$ 18,302</u>	<u>\$ 12,536</u>
Basic income per common share	<u>\$ 2.52</u>	<u>\$ 2.26</u>	<u>\$ 2.51</u>	<u>\$ 1.66</u>
Weighted average basic common shares outstanding	<u>7,162</u>	<u>7,554</u>	<u>7,284</u>	<u>7,565</u>
Diluted income per common share	<u>\$ 2.48</u>	<u>\$ 2.24</u>	<u>\$ 2.48</u>	<u>\$ 1.64</u>
Weighted average diluted common shares outstanding	<u>7,257</u>	<u>7,645</u>	<u>7,365</u>	<u>7,658</u>

Investor Relations:

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Source: Barrett Business Services Inc