

July 28, 2015



# **BBSI Reports Second Quarter 2015 Financial Results**

## **Q2 Net Revenues up 21% to \$182.4 Million, Drives 21% Increase in Diluted Earnings per Share to \$1.19**

VANCOUVER, WA -- (Marketwired) -- 07/28/15 -- 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, 2015.

### ***Second Quarter 2015 Financial Summary vs. Year-Ago Quarter***

- Net revenues up 21% to \$182.4 million
- Gross revenues up 22% to \$971.9 million
- Net income increased 20% to \$8.7 million
- Diluted earnings per share increased 21% to \$1.19

### ***Second Quarter 2015 Financial Results***

Net revenues in the second quarter of 2015 increased 21% to \$182.4 million compared to \$151.1 million in the second quarter of 2014.

Total non-GAAP gross revenues in the second quarter of 2015 increased 22% to \$971.9 million compared to \$798.4 million in the second quarter of 2014 (see "Reconciliation of Non-GAAP Financial Measures" below). The increase was due primarily to the continued build in the Company's co-employed client count and same-store sales growth.

Net income for the second quarter of 2015 increased 20% to \$8.7 million compared to net income of \$7.3 million in the year-ago quarter. Diluted earnings per share in the second quarter of 2015 increased 21% to \$1.19 compared to \$0.98 per diluted share in the year-ago quarter.

At June 30, 2015, the Company's cash, cash equivalents, marketable securities, and restricted securities totaled \$248.0 million compared to \$239.1 million at December 31, 2014.

### ***Management Commentary***

"We are pleased with our Q2 results as they continue to be driven by the organic growth of our existing client companies and the expansion of our new client count," said Michael Elich, president and CEO of BBSI. "Same-store sales grew 9.2% and we experienced a net build of 201 clients. We also continue to experience favorable trends related to workers' compensation, while continuing to mature our base of operations and areas that support our growth."

"We reiterate our rolling 12-month outlook of 18% gross revenue growth due to the health of our clients' businesses, the ability of our new business channels to convert high-quality companies to clients, and the scalability of our operations. Given this outlook, we look forward to a record year of financial and operational performance in 2015."

### ***12 Month Outlook***

BBSI expects gross revenues for the next 12-month period to increase approximately 18%. Included in this expectation is a high single-digit contribution from same-store sales growth as well as growth from new business consistent with current trends.

### ***Conference Call***

BBSI will conduct a conference call tomorrow, July 29, 2015, at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) to discuss its financial results for the second quarter ended June 30, 2015.

The Company's president and CEO Michael Elich and CFO James Miller will host the call, followed by a question and answer period.

Date: Wednesday, July 29, 2015

Time: 12:00 p.m. Eastern time (9:00 a.m. Pacific time)

Toll-free dial-in number: 1-888-510-1765

International dial-in number: 1-719-457-2689

Conference ID: 2075811

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 Liolios Group at 1-949-574-3860.

The conference call will be broadcast live and available for replay at <http://public.viavid.com/index.php?id=115474> and via BBSI's investor relations section of the BBSI website at [www.barrettbusiness.com](http://www.barrettbusiness.com).

A replay of the conference call will be available after 3:00 p.m. Eastern time on the same day through August 29, 2015.

Toll-free replay number: 1-877-870-5176

International replay number: 1-858-384-5517

Replay ID: 2075811

### ***Reconciliation of Non-GAAP Financial Measures***

In addition to the results prepared in accordance with generally accepted accounting principles ("GAAP"), the Company is disclosing non-GAAP gross revenues.

The Company reports its Professional Employer Service revenues on a net basis because it is not the primary obligor for the services provided by the Company's co-employed clients to their customers. The gross revenues and cost of revenues information below, although not in accordance with GAAP, is presented for comparison purposes and because management believes such information is more informative as to the level of the Company's business

activity and more useful in managing its operations.

(in thousands)	(Unaudited) Second Quarter Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Professional employer services	\$ 929,521	\$ 759,838	\$ 1,787,281	\$ 1,453,764
Staffing services	42,347	38,566	81,513	72,017
Total revenues	<u>971,868</u>	<u>798,404</u>	<u>1,868,794</u>	<u>1,525,781</u>
Cost of revenues:				
Direct payroll costs	815,773	672,078	1,570,208	1,285,398
Payroll taxes and benefits	72,146	61,130	160,440	133,947
Workers' compensation	47,785	35,344	93,006	67,278
Total cost of revenues	<u>935,704</u>	<u>768,552</u>	<u>1,823,654</u>	<u>1,486,623</u>
Gross margin	<u>\$ 36,164</u>	<u>\$ 29,852</u>	<u>\$ 45,140</u>	<u>\$ 39,158</u>

A reconciliation of non-GAAP gross revenues to net revenues is as follows:

(in thousands)	(Unaudited) Three Months Ended June 30,					
	Gross Revenue			Net Revenue		
	Reporting Method		Reclassification		Reporting Method	
	2015	2014	2015	2014	2015	2014
Revenues:						
Professional employer services	\$ 929,521	\$ 759,838	\$ (789,473 )	\$ (647,335 )	\$ 140,048	\$ 112,503
Staffing services	42,347	38,566	-	-	42,347	38,566
Total revenues	<u>\$ 971,868</u>	<u>\$ 798,404</u>	<u>\$ (789,473 )</u>	<u>\$ (647,335 )</u>	<u>\$ 182,395</u>	<u>\$ 151,069</u>
Cost of revenues	<u>\$ 935,704</u>	<u>\$ 768,552</u>	<u>\$ (789,473 )</u>	<u>\$ (647,335 )</u>	<u>\$ 146,231</u>	<u>\$ 121,217</u>

(in thousands)	(Unaudited) Six Months Ended June 30,					
	Gross Revenue			Net Revenue		
	Reporting Method		Reclassification		Reporting Method	
	2015	2014	2015	2014	2015	2014

**Revenues:**

Professional employer services	\$ 1,787,281	\$ 1,453,764	\$ (1,519,482 )	\$ (1,239,572 )	\$ 267,799	\$ 214,192
Staffing services	<u>81,513</u>	<u>72,017</u>	<u>-</u>	<u>-</u>	<u>81,513</u>	<u>72,017</u>
Total revenues	<u>\$ 1,868,794</u>	<u>\$ 1,525,781</u>	<u>\$ (1,519,482 )</u>	<u>\$ (1,239,572 )</u>	<u>\$ 349,312</u>	<u>\$ 286,209</u>
Cost of revenues	<u>\$ 1,823,654</u>	<u>\$ 1,486,623</u>	<u>\$ (1,519,482 )</u>	<u>\$ (1,239,572 )</u>	<u>\$ 304,172</u>	<u>\$ 247,051</u>

**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. The Company works with more than 3,000 clients across all lines of business in 23 states. For more information, please visit [www.barrettbusiness.com](http://www.barrettbusiness.com).

**Forward-Looking Statements**

Statements in this release about future events or performance, including expectations for gross revenues for the next 12 months, are forward-looking statements which 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 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, the availability of financing or other sources of capital, the potential for material deviations from expected future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of the Company's primary markets, the collectability of accounts receivable, the carrying value of deferred income tax assets and goodwill, and the effect of conditions in the global capital markets on the Company's investment portfolio, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2014 Annual Report on Form 10-K. 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 Balance Sheets**  
(Unaudited)

(in thousands)		June 30,	December 31,
		2015	2014
Assets			
Current assets:			
Cash and cash equivalents	\$	4,439	\$ 11,544
Marketable securities		-	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	-
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	\$ -
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 liabilities		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
Stockholders' equity		40,251	38,658
	\$	491,363	\$ 448,528

**Barrett Business Services, Inc.**

**Consolidated Statements of Operations**

(in thousands, except per share amounts)	(Unaudited)		(Unaudited)	
	Second Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues:				
Professional employer service fees	\$ 140,048	\$ 112,503	\$ 267,799	\$ 214,192
Staffing services	42,347	38,566	81,513	72,017
Total revenues	<u>182,395</u>	<u>151,069</u>	<u>349,312</u>	<u>286,209</u>
Cost of revenues:				
Direct payroll costs	32,188	29,311	61,952	54,728
Payroll taxes and benefits	72,146	61,130	160,440	133,947
Workers' compensation	41,897	30,776	81,780	58,376
Total cost of revenues	<u>146,231</u>	<u>121,217</u>	<u>304,172</u>	<u>247,051</u>
Gross margin	36,164	29,852	45,140	39,158
Selling, general and administrative expenses	21,278	17,958	38,253	32,327
Depreciation and amortization	709	613	1,392	1,197
Income from operations	<u>14,177</u>	<u>11,281</u>	<u>5,495</u>	<u>5,634</u>
Other income (expense), net	<u>(479)</u>	<u>106</u>	<u>(924)</u>	<u>196</u>
Income before taxes	13,698	11,387	4,571	5,830
Provision for income taxes	4,952	4,104	1,627	2,130
Net income	<u>\$ 8,746</u>	<u>\$ 7,283</u>	<u>\$ 2,944</u>	<u>\$ 3,700</u>
Basic income per common share	<u>\$ 1.22</u>	<u>\$ 1.02</u>	<u>\$ 0.41</u>	<u>\$ 0.52</u>
Weighted average basic common shares outstanding	<u>7,151</u>	<u>7,173</u>	<u>7,143</u>	<u>7,171</u>
Diluted income per common share	<u>\$ 1.19</u>	<u>\$ 0.98</u>	<u>\$ 0.40</u>	<u>\$ 0.50</u>
Weighted average diluted common shares outstanding	<u>7,327</u>	<u>7,421</u>	<u>7,328</u>	<u>7,444</u>

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Source: Barrett Business Services, Inc.