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TrueBlue, Inc. (TBI)

Q1 2019 Earnings Call

CORPORATE PARTICIPANTS

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

OTHER PARTICIPANTS

Henry Sou Chien
Analyst, BMO Capital Markets (United States)

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is David, and I will be your conference operator today. At this time, I would like to welcome everyone to the TrueBlue First Quarter 2019 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Derrek Gafford, CFO, you may begin your conference.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

Good afternoon, everyone. And thank you for joining today's call. I'm here with our Chief Executive Officer, Patrick Beharelle.

Before we begin, I want to remind everyone that today's call and slide presentation will contain several forward-looking statements, all of which are subject to risks and uncertainties, and we assume no obligation to update or revise any forward-looking statements. These risks and uncertainties, some of which are described in today's press release and in our SEC filings, could cause actual results to differ materially from those in our forward-looking statements.

We use non-GAAP measures when presenting our financial results. We encourage you to review the non-GAAP reconciliations in today's earnings release or at trueblue.com under the Investor Relations section for a complete understanding of these terms and their purpose. Any comparisons made today are based on a comparison to the same period in the prior year unless otherwise stated.

Lastly, we will be providing a copy of our prepared remarks on our website at the conclusion of today's call, and a full transcript and audio replay will also be available soon after the call.

With that, I'll turn the call over to Patrick.

A. Patrick Beharelle

Director & Chief Executive Officer, TrueBlue, Inc.

Thank you, Derrek, and I'd like to welcome everyone to our call today. During the first quarter of 2019, our focus remained consistent with the initiatives I described at the start of the year, which included putting our three businesses on a path towards sustainable growth, managing cost to enhance profitability and leveraging our excess free cash flow to return cash to shareholders through share repurchases.

Our team delivered a solid quarter with flat revenue growth, a step-up from the prior quarter's negative 3% growth. Our gross margin was up 100 basis points year-over-year marking our 13th consecutive quarter of gross margin expansion. This figure does include approximately 70 basis points of benefit associated with legacy workers' compensation insurance policies, which is excluded from adjusted EBITDA and adjusted earnings per share.

With regards to SG&A, we continue to maintain a disciplined focus on managing our costs. On the bottom line, we produced adjusted earnings per share of $0.27 which was at the high end of our $0.22 to $0.27 guidance range. In addition, we repurchased another $5 million worth of shares during the quarter and have $53 million remaining under the current buyback authorization. From a big picture perspective, as I discussed in February, our aim is to remain at the forefront of the changing world of work. Changes in the market are being driven by demographics, widespread skill shortages and employers increasingly seeking just-in-time solutions to more thoughtfully navigate their workforce needs. TrueBlue is not only adapting to these changes, but also leading the way with the strength of our service offerings and our strategic use of technology.

Let's discuss how this strategy is being deployed across our three businesses starting with PeopleReady, the leading provider of on-demand labor and skilled trades in the North American industrial staffing market. PeopleReady represents 61% of trailing 12 months total company revenue and 58% of combined segment profit. PeopleReady's growth of 3% marked an uptick from the prior quarter's 2% and was our fourth consecutive quarter of revenue growth.

Our JobStack mobile app is transforming the way we do business and helping to competitively differentiate our offering in the eyes of contingent employees and our clients. We recognize that transformation takes time, it's hard work and we're learning as we go and progress has been steady. During the first quarter, we dispatched more than 800,000 shifts via JobStack and achieved a digital fill rate of more than 40%, up from roughly 30% in Q4. Considering that Q1 is our lowest volume season, we are well on our way to achieving our goal to dispatch 4.5 million shifts in 2019 or one worker dispatch every seven seconds.

Associate adoption is now north of 80% and we have more than 15,000 clients using the app. Achieving critical mass has made the functionality and appeal of JobStack even more apparent and our AppStore ratings have risen accordingly. Our iOS rating currently stand at 4.6 out of 5 stars for the worker app and 4.7 for the client app.

JobStack is also helping us attract new associates and clients. In Q1, we launched our associate referral and rewards program and further enhanced our digital client acquisition marketing efforts. We are encouraged by the early results we are seeing from both of these. Our branches are already seeing hundreds of new workers ready to work as a result of the program. From a client acquisition standpoint, we have deployed a number of digital campaigns aimed at new and former clients, and we're seeing a solid increase in qualified leads coming through these marketing efforts.

PeopleManagement provides attractive onsite workforce solutions in the North American industrial staffing market and represents 28% of trailing 12 months total company revenue and 12% of combined segment profit. Revenues were down 14% with growth constrained by previously disclosed headwinds including the loss of Amazon's Canadian business, last year's divestiture of PlaneTechs and volume and price reductions at another retail client. PeopleManagement offers a compelling onsite value proposition that's a perfect fit for larger clients with longer duration strategic needs for contingent workers. Despite some same-store sales headwinds, PeopleManagement will continue to focus on adding new onsite client engagements. Our annualized new client wins were significantly higher in the first quarter of 2019 compared to the same period last year. As these wins begin to ramp, we now see a pathway back to growth in the back half of 2019.

PeopleScout is the global leader in filling permanent positions through our recruitment process outsourcing and managed service provider offerings and represents 11% of trailing 12 months total company revenue and 30% of combined segment profit. Revenue was up 26% overall, but declined 1% on an organic basis, which was in line with expectations but lower than our typical organic growth rate due to previously disclosed headwinds.

Our global strategy for PeopleScout is aimed at capitalizing on our leadership position in the North American RPO market as well as our expanding global capabilities. We believe the introduction of Affinix, our proprietary next-generation HR tool, is improving our ability to compete and improving our win rates for new client engagements. It's still early days for Affinix, but during the first quarter, PeopleScout saw a sizable uptick in our annualized win rate compared to the same period last year.

Affinix is helping us compete and win because our clients see the difference in the candidate hiring process. For example, at many of our clients, we are now seeing significant increases in candidate flow from our enhanced use of artificial intelligence. Additionally, candidate conversion rates are increasing through Affinix's easier-to-use mobile-enabled process that mimics best-in-class consumer mobile experiences. As a result, time to fill for clients fully implemented on Affinix have improved dramatically, which is especially impressive given the tight candidate market.

In summary, we're off to a solid start in 2019 and we see many opportunities ahead to build upon the enhancements to our solid foundation over the past year. In particular, we plan to leverage JobStack to drive our long-term competitive advantage at PeopleReady and we see opportunities at PeopleManagement with new and existing clients. In addition, PeopleScout will continue to leverage Affinix and our global strategy to drive long-term growth. We continue to stay focused on organic growth, managing costs to drive strong cash flows and returning capital to shareholders.

With that, I'll hand the call to Derrek to take us through our financial results in greater detail.

Derrek L. Gafford

Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

Thank you, Patrick. Total revenue of $552 million was at the bottom of our $552 million to $569 million outlook primarily due to inclement February weather suppressing revenue by approximately $4 million or nearly 1 percentage point of growth. Revenue growth was flat for the quarter which was an acceleration from a decline of 3% in Q4 2018 as a result of the improving trends in the PeopleReady and PeopleManagement businesses.

Net income per diluted share of $0.21 exceeded the high end of our expectation by $0.10 from favorable developments associated with former workers' compensation insurance carriers, which is excluded from our adjusted net income and adjusted EBITDA calculations. Adjusted net income per diluted share was $0.27 which was at the high end of our $0.22 to $0.27 expectation driven primarily by lower workers' compensation expense after excluding the benefits associated with former insurance carriers.

The effective income tax rate for the quarter of 11% was slightly below our 14% expected rate from additional Work Opportunity Tax Credits.

Gross margin of 26.9% was up 100 basis points, with 70 basis points of benefit primarily from additional insurance coverage associated with former workers' compensation carriers that are in liquidation. Due to improvements in their balance sheets, these carriers are now covering a larger proportion of outstanding claims. The remaining 30 basis points of gross margin improvement is primarily associated with lower workers' compensation expense in the ongoing business.

SG&A expense was up $4 million with $2 million of the increase coming from the net impact of acquisitions and divestitures and the remainder from core operations. Adjusted EBITDA was down 13% and related margin was down 40 basis points. Last quarter, we discussed some revenue and segment profit headwinds in our PeopleScout business associated with the re-pricing of an account to reflect a multi-year arrangement and the loss of a client that had been acquired by a strategic buyer.

Similarly, in our PeopleManagement business, we discussed the divestiture of PlaneTechs, the transition of a customer from our SIMOS business to our Staff Management business and the diminishing impact of the lost Amazon account. These items suppressed total company adjusted EBITDA by $4.5 million, year-over-year growth by approximately 20 percentage points, and related margin by about 80 basis points.

Turning to our segments, PeopleReady revenue grew by 3% versus 2% in Q4. Segment profit was up 20%, driven by revenue growth and higher gross margin. Revenue growth was widespread across both small and large customers and across most major geographies. PeopleManagement revenue was down 14% which was an improvement from a decline of 18% in Q4 as a result of better same customer trends. 14 percentage points of the decline is associated with the headwinds mentioned a few moments ago in my adjusted EBITDA commentary.

Segment profit was down 59% which includes a headwind of $3 million or approximately 56 percentage points of growth from the headwinds previously discussed. PeopleScout revenue was up 26%, down from growth of 31% last quarter associated with the headwinds discussed a few moments ago. Segment profit was down 12% and segment margin was down 670 basis points. The drop in segment profit and margin is primarily associated with the previously discussed headwinds and the acquired TMP business as a result of the pass-through nature of recruitment media purchases on behalf of certain clients.

Year-to-date cash flow from operations totaled $22 million and capital expenditures were $6 million netting to free cash flow of $16 million. The strength of our balance sheet continues to improve. Total debt of $42 million is down from $80 million at the end of 2018. And our debt to capital ratio is 7%. On a trailing 12-month basis, our total debt to adjusted EBITDA multiple stands at 0.3. Returning capital to boost shareholder returns is an important part of our strategy. $5 million of stock was repurchased in the quarter and we have $53 million remaining under our current authorization.

Turning to our total company outlook for the second quarter of 2019, we expect the revenue range of minus 1% to plus 1% or minus 3% to flat on an organic basis. Using the midpoint of the organic range, organic revenue is expected to be down by nearly 2%, which is an improvement from a decline of 3% in Q1 2019.

Turning to our profitability outlook, we expect net income per share in the second quarter of 2019 of $0.39 to $0.46 or $0.55 to $0.62 on an adjusted basis, which assumes a share count of 39.5 million and an effective income tax rate of 14%. On a midpoint basis, our adjusted EPS outlook reflects an increase of about $0.01 versus Q2 last year. Additional information on our outlook for the second quarter and certain annual assumptions can be found in today's earnings release deck.

This concludes our prepared remarks. Please open the call now for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Your first question comes from the line of Jeff Silber of BMO. Your line is open.

Henry Sou Chien
Analyst, BMO Capital Markets (United States)

Q

Hi, guys. Good afternoon. It's Henry Chien calling for Jeff. I was wondering if you could comment on – if there has been any increase in the tightness of labor markets and has that had any impact on your business? Thanks.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Thanks for the question, Henry. This is Patrick. I wouldn't say there's been an increase in the tightness of the labor market. It's been tight for the last several quarters both for full-time positions and for contingent labor. So it's been steady the last couple of quarters which when we look at this in historical terms, it's clearly a tight labor market, but we haven't seen it tighten anymore from the last couple quarters.

Henry Sou Chien
Analyst, BMO Capital Markets (United States)

Q

Yeah. Got it. Okay. And I guess just kind of drilling down into the PeopleManagement business sort of ex the losses of large client, how is I guess organic growth going in that business?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, there's definitely some client-specific headwinds. The other thing we're seeing, Henry, is we're seeing some same-store volume challenges at existing clients particularly in our retail clients and some of our manufacturing clients. But one thing we did see that was interesting is we saw more than a doubling of our wins in Q1 versus the same period last year. We made some changes in our sales leadership in PeopleManagement and we're starting to see some results from a sales execution perspective. So, no question, we've got some client -specific headwinds and some same-store challenges, but helping offset that is some of the new wins that we're receiving.

Henry Sou Chien
Analyst, BMO Capital Markets (United States)

Q

Go it. Okay. Great. Thank you so much.

Operator: [Operator Instructions] Your next question comes from the line of Mark Marcon of R.W. Baird. Your line is open.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Good afternoon. I was wondering if you could give us kind of the pay bill changes as it relates to PeopleReady and what you're seeing there?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Yeah, hi, Mark, thanks for the question. Yeah, the bill pay spreads are identical at 5% for the quarter for PeopleReady. So we're pleased with having such a strong start to the year because we, as you know, have a wide assortment of minimum wage increases that need to be pushed through at the beginning of the year. And as we're exiting the fourth quarter, there are many of those jobs that were already priced at certain prices where we cannot pass that increase through in the bill rate, so off to a good start in the first quarter.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Okay, great. And was it similar with PeopleManagement?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

No, PeopleManagement is actually down a bit, but there is admitted quite a bit of noise in those numbers because of some of the mix issues with the client headwinds that we've got. If we get those client headwinds out, we're pretty close to flat.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. I mean, can you give a little more color in terms of what's going on with the workers' comp program like how do you think about that in terms of the impacts?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Sure. What we're really talking about here are two insurance companies that we used to do business with. One was an insurance company that came from an acquisition we did when we did MDT, and then another goes back well over a decade. And both of these two insurance companies are in receivership, so they're no longer in business. And so once an insurance company who is providing coverage for us on workers' compensation goes into receivership and we have to make an estimate about what they will actually be able to pay for claims that go above the deductible which is exactly why we buy the insurance.

So both of these particular insurance companies we got new information during the quarter that their balance sheets are doing better than they had been doing in the past. And we got new facts on what they expect to pay out on certain cents on the dollar. So when we got that information, we increased the amount that we expected to recover from those insurance claims and have reflected that in the P&L.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Okay, great. And then with regards to what you're seeing with JobStack, just in terms of like the percentage of PeopleReady jobs that you filled in the quarter through JobStack, where is that?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Hey, Mark, this is Patrick. Yeah, we're running in the 40% range. If we take the step back from JobStack and just think about a little bit more strategically, we believe it's having a favorable impact on PeopleReady. When we look at our top quartile adopting branches, they're performing better both on the top line and the bottom line than those that have been less aggressive in their adoption of the tool. We look at our clients, those clients that are heavy users of JobStack have been growing at more than 20% on a year-over-year basis, those that are moderate users are growing in sort of the high-single-digit percentage which is significantly higher than for those clients that are not adopting the tool. But this is hard work. It takes time to transform a business, doesn't happen overnight, but we're confident we're pursuing the right strategy. And we want the results to happen faster and we're working hard with that aim in mind. I expect by the end of the year we'll have north of 50% of our transactions happening on the JobStack tools. So we're making good progress, but it's not happening as fast as we'd like.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. And just in terms of with the clients and the folks that are going out on assignment through JobStack, what are you seeing in terms of the repeat number relative to what you've historically seen within PeopleReady?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

When you say repeat number, are you referring to people being re-upped for a longer assignment or...

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Re-up for – so basically staying with the program and coming back for multiple assignments and/or on PeopleReady, there were a lot of clients who just used us once a year and that was it, so repeats within the same year?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah. The repeats in terms of client retention are significantly higher. The point that we don't fully have a grasp on though is to what degree is that self-selection versus behavior change. There's no doubt that the clients that have adopted JobStack have been ones that have wanted to do business with us longer term. And so it is naturally some self-selection going on there where the retention rates are substantially higher, and for those clients to just plan on using us once, that's not a tool that we're actively marketing to them. If they come into us and say we're just going to use you once, we've got a one-time project and so we're engaging those clients as we had in the past. So, clearly higher retention rates, the thing we don't know though is to what degree is it self-selection versus to what degree is the digital strategy driving higher retention rates.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Appreciate that. And then with regards to PeopleManagement, at what point would you expect revenue trends to flatten out? I mean you still have some headwinds there. Sounds like you've got some new sales. When do you think we will become organically flat?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah, our expectation would be to return to growth in the back half of 2019.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. Great. And on PeopleScout, similar question in terms of getting to organic growth, the guidance is basically minus 3 to plus 3. With some of the wins that you've had, when should that occur?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Well, as you know, the RPO business can be more lumpy from quarter to quarter. So our expectation would be similar to what I've shared with PeopleManagement in the back half of 2019 that we'll see some – we'll see organic growth on a year-over-year basis.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. Great. I'll jump back in the queue. Thank you.

Operator: [Operator Instructions] At this time, we are still waiting for callers to join the queue. Mr. Beharelle, would you like me to hold the call open for another minute while we gather questions?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah, why don't we leave it open for another minute or so?

Operator: Certainly. [Operator Instructions] Your next question comes from the line of Mark Marcon of R.W. Baird. Your line is open.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Since it's open, I'll just keep going.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Appreciate that, Mark. Thank you.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Sure. With regards to just SG&A and in terms of thinking that through over the course of the year, how should we plan that to unfold? And I'm talking about beyond the second quarter just in terms of efficiency gains that you may be getting from both, JobStack as well as Affinix. And I know you're primarily using JobStack really to drive the revenue as opposed to drive savings, but you're going to change some of the behavior. So I was just wondering if you could add some color there.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Hi, Mark. Yeah. Thanks for the question. It's Derrek here. Directionally with SG&A, we expected to be somewhere around the level of revenue growth, maybe a little bit less than that. Our revenue growth outlook for the second quarter is flat. The SG&A assumption in there is flat as well and we expect we'll bring it in there. So, directionally, that's how we should think about it. If we're standing back a little bit further and talking more strategically about the use of SG&A and some of the efficiencies that come, we would expect some more of that as we continue to mature on JobStack. I think where more of our efficiencies will relate with the use of JobStack and digital technology is as we continue to ramp up the pace of both the use of JobStack and the number of people we're putting out, the next phase for us will be to start digitizing more so the recruiting process and that piece of it.

And as we do that, that allows us to take a look at the branch footprint to a certain extent, not that we're looking at closing a lot of branches, but maybe rejiggering how we use those branches. Some of the efficiencies that we can get out of the tool, while, as you mentioned, is not our primary motivation, it's really about taking market share is somewhat limited with the branches because these are small branches, on average three or four people and it takes about three people to run the branch. So we're limited to that fixed amount, but a broader and deeper digital recruiting process enables that.

Overall, on the PeopleScout side, I think where we'll see more opportunities for efficiency is actually into next year. While we've rolled out Affinix and have several different clients on it, most of those are on what we call al-a-carte meaning that it's not installed completely, they don't have all the functionality implemented and it's not implemented with a full suite and integrated with the clients technology.

Now we did have a pretty aggressive program in place this year on bringing on five existing clients or so a month with PeopleScout, and as those come on with the full scope of the technology that really enables some of the efficiency gains that we can get from the technology. So I think that one is a stay tuned for more efficiency gains in 2020. However, if we go back to PeopleScout for just one more time, we have reconfigured a few things in our cost base and have continued working on some other recruiting efficiencies. So even the segment margin that we're reporting this quarter in Q1 of 15.5%, we do expect that to pick up to about 17% in Q2 and that's embedded in our guidance that we provided today.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Great. And then can you talk a little bit about what – I'm jumping over to PeopleReady verticals and geographic trends that you ended up seeing if any differences across the country or are you seeing the most success from a vertical perspective?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Mark, I took a look at that a couple of times trying to call out what uniquely has changed. So I'm going to give you a couple of tidbits here in just a moment. But I mean to directly answer the question if we were looking at segments at least Q4 where we were and where we are at Q1, any inflection points, I'd say from a vertical standpoint, it's still very stable and same thing from a geographic perspective, same thing that we talked about in

Q4 and things being pretty widespread both from the growth across verticals particularly geographies and small and large customers, which is a very – last part is very important to us because the part where we had been having some struggles in getting people ready back to where we wanted to be was getting some growth going in that small customer base which actually makes up about two-thirds of the business for PeopleReady. So not only is it important from a size perspective, it's also important from a margin perspective and our small customer business that makes up two-thirds of the business, the EBITDA margin in that business runs 400 to 500 basis points higher than our large account business.

Now if we come back to just verticals where you kind of started your question just like stand-out things that are doing well, I probably have to just take and point out retail. That's one of our stronger growing pieces, it's growing double-digits. It's an area where we've had successes in the past when it has come to retail stores and remodels and resets of merchandise inside stores. So these are big box operators where we've had some success here and the growth trends there have been quite nice. So it's really coming from those two types of work in the retail space.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Great. And then you've given us some perspective with regards to the margin headwinds that we go from in terms of Q2 to Q3. Do you think if we're relatively flat, this is hypothetical, but if we're relatively flat from a revenue perspective in terms of Q3 relative to Q2 and I would anticipate a little bit of growth sequentially, but if we were relatively flat, should we – are there any offsets in terms of what we're doing from a efficiency perspective that would offset the greater headwind as it relates to Q3 relative to Q2?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Yeah. You're talking about the profit headwinds that we've laid out in the deck that you're referring to, Mark?

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Exactly. Yes.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

We have $5 million of headwind from a profit perspective in the Q3 of 2019 and for everybody who may have not seen what Mark's referring to in our earnings release deck towards the back, there's some select 2019 outlook information that gives some perspective on this. So, no, Mark, I don't think it's going be anything to that size. I wish we had another $5 million of offset going on there. There are a few things that we're working on on the SG&A side, but nothing that can directly offset that.

Now if we're taking a look at the...

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

I just meant the sequential.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

I'm sorry, Mark, ask that question one more time, I must have misunderstood.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

I just meant sequentially just in terms of thinking through. Okay. When we get past Q2, you've given us guidance for Q2. Just thinking about kind of normal sequential pattern, thinking about how Q3 sets up?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

From an SG&A dollars perspective or year-over-year increase perspective?

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Right, from a sequential SG&A perspective?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Oh, I see. Yeah, I think the best thing to do is just kind of follow the normal seasonal trend there and I think probably your best look if you're talking about from an SG&A is to still think about it on a year-over-year perspective, keep it relatively in check with where the revenue trend is. And the dollar it will pick up sequentially from Q2 to Q3 just because Q3 is our peak revenue period for PeopleReady, as you know. So I follow the normal sequential trends.

Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Okay, great. I'll follow up offline. Thanks.

Operator: [Operator Instructions] At this time, we're still waiting for callers to join the queue. Mr. Beharelle, would you like me to hold the call open for another minute while we gather questions?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

No, thank you, David. I think we've given ample time, so I think we can close the call. I appreciate everyone taking time out of your busy schedules to listen in. We're working real hard to drive results and we'll look forward to chatting again next quarter. Thank you.

Operator: This concludes today's conference call. You may now disconnect.