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TrueBlue, Inc. (TBI)

Q3 2020 Earnings Call

CORPORATE PARTICIPANTS

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A. Patrick Beharelle
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OTHER PARTICIPANTS

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Josh Vogel
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the TrueBlue Third Quarter 2020 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Derrek Gafford, CFO. Thank you, please go ahead.

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

Good afternoon, everyone, and thank you for joining today's call. I'm joined by our Chief Executive Officer, Patrick Beharelle.

Before we begin, I want to remind everyone that today's call and slide presentation contain 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 welcome everyone to today's call. Total revenue for the third quarter was down 25% and we posted positive net income of $9 million, or $0.25 per share. We are very pleased that the company has returned to profitability. We've taken the right actions to restore profitability and position the company for long-term growth as the economy recovers.

During the third quarter we saw steady improvements in our revenue trends across most of the industries and geographies we serve. Our cost management actions continue to show meaningful results, which helps position us for strong incremental profit margins when revenue growth returns.

Now, let's turn to our results by segment, starting with PeopleReady. PeopleReady is our largest segment representing 61% of trailing 12-month revenue and 76% of segment profit. PeopleReady is the leading provider of on-demand labor and skilled trades in the North American industrial staffing market. We service our clients via a national footprint of physical branch locations as well as our JobStack mobile app. PeopleReady's revenue was down 29% during the quarter and we saw intra-quarter improvement with revenue down 27% in September versus down 32% in July.

PeopleManagement is our second largest segment representing 30% of trailing 12-month revenue and 15% of segment profit. PeopleManagement provides onsite industrial staffing and commercial driving services in the North American industrial staffing market. The essence of a typical PeopleManagement engagement is supplying an outsourced workforce that involves multiyear, multi-million-dollar onsite or driver relationships. These types of client engagements tend to be more resilient in the downturn. Revenue for PeopleManagement was down 8% during the quarter, with the top line down just 2% in September versus down 12% in July.

Turning to our third segment, PeopleScout, represents 9% of trailing 12-month revenue and 9% of segment profit. PeopleScout is a global leader in filling permanent positions through our recruitment process outsourcing and managed service provider offerings. Revenue was down 48% during the quarter versus down 53% in Q2. PeopleScout results were particularly impacted by exposure to large travel and leisure clients.

Now I'd like to shift gears and update you on our key strategies by segment, starting with PeopleReady. Our long-term strategy at PeopleReady is to digitize our business model to gain market share. Most of our competitors in this segment are smaller mom and pops that don't have the scale or capital to deploy something like our JobStack mobile app. So this, along with our nationwide footprint is what makes us unique.

We began rolling out JobStack in 2017 to our associates, and in 2018 we launched the client side of the app. We now have digital fill rates north of 50% and more than 26,000 clients using the app. In Q3 2020, we filled 726,000 shifts via JobStack, representing a digital fill rate of 51%.

Our client user count ended the quarter at 26,100, up 37% versus Q3 2019. In mid-2020, we introduced new digital onboarding features that cut application time in half. This has led to some great operational results as we increase the ratio of associates put to work versus all applicants. Early results indicate a 20% increase in worker throughput. This is exciting because, as we move back to a supply-constrained environment, an increase in worker throughput will translate directly to revenue. We believe we can further improve applicant throughput as we fine tune our processes.

Right now, we're also very focused on driving heavy client user growth. A heavy user is a client who has 50 or more touches on JobStack per month, whether it's entering an order, rating a worker or approving time. JobStack heavy users have consistently posted better year-over-year growth rates compared to the rest of PeopleReady. The growth differential is north of 20 percentage points and has held true even in this market downturn. This makes sense, since we have many clients who use multiple vendors and we can grow our business simply by growing our wallet share, even if our client's total volumes is flat to down.

Our focus on heavy user growth is starting to pay-off. We've doubled our heavy user mix since 2019, up from 11% of our business in fiscal 2019 to 22% for 2020 year-to-date. Our positive strategic progress is obviously overshadowed by the macro environment at the moment, but we continue to invest in our digital strategy and believe this approach will help PeopleReady emerge stronger than ever.

As our digital strategy continues to mature, we're taking a look at areas within PeopleReady where we can reduce our service delivery costs. In 2020, we began testing a few different strategies. It's too early to quantify potential savings, but we're developing a plan where cost savings will come from a mixture of both technology utilization and changing our go-to-market approach. As we move down this path, I want to emphasize that the value and importance of our branch network should not be underestimated. We need to maintain a local presence in the communities where we do business. At the same time, we do see an opportunity to centralize more services and reorient job roles to improve our client-focused delivery. We'll continue to update you on this front as the plans evolve.

Turning to PeopleManagement, our strategy is to focus on execution and grow our client base. Initiatives we've already implemented include sharpening our vertical market focus to target essential manufacturers and leverage our strength in e-commerce. These are verticals that have held up well relative to the decline in non-essential goods at traditional bricks and mortar retailers.

We've also completed the integration of our Staff Management and SIMOS brand sales teams, allowing the integrated team to offer a full portfolio of hourly and cost-per-unit solutions to clients. These strategic initiatives are already paying off. Even in the middle of this downturn, year-to-date new business wins at PeopleManagement are up 13% versus the prior year as we've secured $70 million in annualized new business wins versus $62 million the prior year. Approximately, half of new wins are in our Q3 run rate. As the demand environment recovers, we'll be increasing sales resources and investing in client care programs to maintain our momentum.

Turning to PeopleScout, our strategy is to capture opportunities in an industry poised for growth. Before COVID struck, we noticed a trend towards in-sourcing, with a handful of clients bringing more recruitment functions in-house. Many of those in-house teams have been reduced or eliminated during the pandemic, and we expect a trend reversal back towards outsourcing as the economy recovers. Our strategy leverages our strong brand reputation, as we are consistently ranked as a market leader by independent industry analysts and PeopleScout is traditionally the highest margin business within our portfolio.

Finally, I'd like to take a moment to touch on our balance sheet and capital allocation priorities. We do have a solid balance sheet. Our credit facility provides ample liquidity and we ended Q3 with more cash than debt. Before the pandemic hit we were generating substantial free cash flow and were focused on returning capital to shareholders. Over the last five years, we've returned $169 million of capital to shareholders via share repurchases. As we return to a more normalized environment, investing in our organic business opportunities will remain our top priority, but we'll also expect to renew our focus on returning excess capital to shareholders.

I'll now pass the call over to Derrek who will share greater detail around our financial results.

Derrek L. Gafford

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

Thank you, Patrick. Total revenue for Q3 2020 was $475 million, representing a decline of 25%. We posted net income of $9 million, or $0.25 per share, and adjusted net income of $8 million, or $0.24 per share. While this quarter's bottom line results are lower than the prior year period, they are sizably better than the losses incurred in Q2 this year due to further improvement in the revenue and SG&A expense trends.

The Q3 year-over-year revenue decline was 14 percentage points better than the Q2 year-over-year revenue decline and the Q3 year-over-year SG&A decline was 8 points better than the Q2 year-over-year SG&A decline. Adjusted EBITDA was $18 million, down from $39 million in Q3 2019, but up from a loss of $5 million in Q2 2020.

Gross margin of 23.3% was down 300 basis points. Our staffing businesses contributed 230 basis points of compression, with 180 basis points of pressure from negative bill and pay rate spreads and 50 basis points from mix and other items. PeopleScout contributed another 70 basis points of compression primarily due to client mix and lower volume.

I'm going to spend a few moments stepping back from this quarter's gross margin results and share our perspective on the ebb and flow of gross margin across an economic cycle. During a recession, the bill rates in our staffing businesses come under pressure as customers look to cut costs and as staffing companies compete in a lower demand environment.

However, pay rates do not come under the same amount of pressure, which creates gross margin contraction. In this particular recession, pay rate inflation has accelerated to entice contingent employees given COVID health concerns and due to the amount of federal unemployment benefits available, which for jobs on the lower end of the pay scale, when combined with state unemployment benefits, can provide more take-home pay than a work assignment.

In the recruitment process outsourcing business, gross margin also comes under pressure, but this has more to do with volume than price as RPO cost of sales is mostly comprised of recruiting personnel costs. While we are able to reduce recruiting costs by reducing head count, there is a semi-fixed component that creates negative operating leverage in the cost of sales for the RPO business as revenue declines, similar to the dynamic with the rest of our enterprise personnel costs that are reported in SG&A expense.

As an economy recovers, pricing power has historically swung back to the industrial staffing industry as demand for talent surges due to economic growth as well as a preference for more contingent labor due to the hesitation of businesses to hire permanent staff, associated with uncertainty about the sustainability of the recovery. Likewise, additional revenue volume has assisted the recovery of RPO gross margin. We have an experienced team that has operated through these economic cycles, and we have tested processes in place to help ensure we seize the opportunity to improve our gross margin in the future.

Turning to SG&A expense, we turned in another quarter of very strong results. Expense was down $40 million, or 31% compared to Q3 2019. We also continue to challenge prior assumptions about the costs needed to run the business and invest in technology. We're optimistic these actions will result in a more efficient service delivery model.

The opportunity for additional cost savings is greatest in our PeopleReady business. We see opportunity to further reduce the costs of our branch network while maintaining the strength of our geographic footprint through a greater use of technology, centralizing work activities and repurposing job roles.

We have made good progress in 2020 by centralizing certain recruiting activities and repurposing certain job functions. A necessary precursor to further reducing the costs of the branch network is a broader repurposing of jobs to increase centralization which can be accomplished through the normal course of employee attrition. Client-facing job functions must also be repurposed to ensure we continue to meet the service expectations of our clients. We will be testing these plans throughout 2021 before we make large scale changes which will also help us provide more clarity on the savings opportunity.

Turning to our tax rate, our effective tax rate was 30% in Q3, which is higher than what we have experienced in prior years as a result of this quarter's performance reducing the net operating loss for the year. This results in a reduction to our CARES Act carry-back benefit expectation, resulting in some catch up expense this quarter. Additional information on the components of our effective tax rate is available in our 10-Q filed today.

Turning to our segments, PeopleReady, our largest segment, saw a 29% decline in revenue and segment profit was down 39%. We saw nice intra-quarter revenue improvement with September down 27%, compared to 32% in July with further improvement to a decline of 19% in October. The improvement was broad-based across most geographies and industries with construction, manufacturing, services and transportation industries leading the way.

PeopleManagement saw an 8% decline in revenue and segment profit was up 35%. PeopleManagement experienced encouraging intra-quarter revenue improvement, with September down 2%, compared to 12% in July. Month-to-date for October, PeopleManagement was up 1%. About half of the segment profit growth is attributable to cost management actions and half from unique costs in Q3 last year creating a favorable comparison this year.

Turning to PeopleScout, we saw a 48% decline in revenue and segment profit was down 97%. Intra-quarter revenue did show improvement with September down 40% compared to 52% in July. As Patrick noted, PeopleScout results were adversely impacted by exposure to travel and leisure clients, which made up roughly 25% of the prior year mix, and revenue for this vertical was down 74% year-over-year.

Now let's turn to the balance sheet and cash flows. Our balance sheet continues to shine, providing financial flexibility and stability. Our credit facility provides ample liquidity, and our debt position is at its lowest level since 2012. We also repurchased 9% of our common stock at favorable prices earlier this year to boost shareholder return. Year-to-date cash flow from operations was $99 million as compared to $53 million for Q3 year-to-date last year, with the increase coming from the deleveraging of accounts receivable

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We've been on a nice trajectory of reducing our total-debt-to capital: in 2017, our total debt-to-capital was 18%; in 2018, 12%; in 2019, 6% and as of Q3 this year, nearly zero.

Now I'd like to take a few minutes to discuss certain forward-looking information we are providing to help investors form their own estimates. This information and more can be found in the quarterly earnings presentation filed today.

For the fourth quarter of 2020, we expect gross margin contraction of 250 basis points to 190 basis points. This is less contraction in comparison with Q3, due to favorable mix and less recruiting staff in our PeopleScout business given the current revenue volume.

Our cost management strategies are on track. For the fourth quarter of 2020, we expect a year-over-year SG&A reduction of $23 million to $27 million, which would result in $102 million to $106 million of savings in 2020. All-in, this would produce a decrease in SG&A expense of about 20% in 2020.

I'd also like to remind everyone that our business can generate an incremental operating margin of about 20% on incremental revenue which can of course run much higher with gross margin expansion or further SG&A declines.

For capital expenditures, we expect about $7 million for the fourth quarter of 2020, which is net of approximately $4 million in build out costs for our Chicago headquarters that are to be reimbursed by our landlord. Our outlook for fully diluted weighted shares outstanding for the fourth quarter of 2020 is 34.8 million.

With respect to our tax rate, we're not able to provide an effective income tax rate outlook due to the variability associated with the relatively lower pre-tax income base and the semi-fixed nature of the Work Opportunity Tax Credit. It's also worth noting that the Work Opportunity Tax Credit expires at the end of this year. While this program has been in existence for decades and has always been renewed due to its appeal to both political parties, the timing can be lumpy. Total benefits derived from this program were $11 million for fiscal 2019 and $6 million year-to-date in Q3 of this year.

While we have a lot more work to do to get back to where we were before COVID hit, we like the progress we have made. We've taken the right actions to restore profitability and have done so without losing our operational strengths or technology momentum. It has challenged us to think of new ways of running our business more efficiently. Our balance sheet is strong. Of most importance, the spirit of our employees is high. This experience has created an even deeper sense of teamwork and camaraderie amongst all of us and we are excited about the opportunities in front of us.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Mark Marcon from Baird. Please go ahead.

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

Q

Hey. Good afternoon Patrick and Derrek. Nice progress in terms of the results. Wondering if you can talk a little bit about PeopleReady and how broad based the recovery was from month-to-month, particularly like how much of it was construction and were there any sort of regional patterns that you ended up seeing?

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

A

Hey, Mark. Thanks for the question. Derrek here. So it was very broad based. If we went and took a look by industry we saw progress in every industry. If we take a look at what the year-over-year decline was in each of the industries and compared to Q3 to Q2. With the exception of retail and it's only because retail we had a lot of surge business in the second quarter. But on an absolute basis retail is still our best industry. So it's the industry with a least amount of decline in it. And same goes for states, we could go in and take a look at all of our states and there's a little give and take here and there, some caused by project work. But we saw improvement throughout the quarter. I won't go state-by-state, but California, Texas and Florida make up about 35% of PeopleReady's revenue and we saw pretty consistent improvement in all three of those states throughout the quarter and into the first three weeks of October as well.

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

Q

Great. And can you talk a little bit about your plans for SG&A both from a short term perspective and then if you could elaborate a little bit on the longer term opportunities? It sounds like we are going to go through potentially some more centralization, particularly on the PeopleReady side basically getting there through attrition as opposed to something that would be perhaps more dramatic. But just trying to understand like based on where we – where things [ph] fit (00:24:41) now where we think like SG&A as a percentage of revenue could end up getting through on the PeopleReady side longer term as JobStack continues to gain traction.

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

A

Yeah. Thanks for the questions, Mark. So let's break it down as you suggested talk short term and longer term here. Let's start with the short term, just taking a look at where we stand the third quarter and going into the fourth quarter. So in the third quarter, SG&A was down 31%. About three points of that – between three and four points were some government subsidies. So excluding that call it 28%, which is still higher than what our revenue decline was. Generally that's not our intent is to have SG&A go down at that level.

So as we are looking into the fourth quarter, the guidance that we basically prepared is for SG&A to be down about 20%, which if you take a look at where our trends are headed as we go into October, at least for our staffing businesses, we're down in the teens. So it's directionally aligned with where the revenues headed. It's an important consideration for us because we want to continue to be aggressive on our cost discipline but at the same time as things start to recover and we build some momentum, we've got gross profit dollars here to look out for and that's really all about taking really good care of the customers that we got. We don't want to lose any of those. And as more volume comes in obviously we have less people to spread around to take care of that as well as business development opportunities but still a healthy decline in SG&A expense and you could probably trend that out into those into the first quarter just based on your own revenue assumptions.

As we get around to the second quarter, of course we're going to anniversary a big amount of the falloff that we had from a revenue perspective and then we did our cost cuts. Kind of we didn't space them out through the year, we went pretty heavy right up front. So the majority of them not all of them started coming in in April. So those would be a few things that I would just suggest as you take a look going forward into 2021 and then also be mindful that we did have some one-time expenses in 2020, which we've excluded from our adjusted EBITDA and adjusted net income calculations, which you can refer to.

Now to the broader question that you're asking, hey, look tell me more about this PeopleReady piece and what this could really look like. Overall, for the company, we've cut over $100 million of SG&A this year. About, I'd say, a quarter of that is variable expenses that's going to come on with revenue, bonuses, bad debt stayed at the same percentage but we've got more revenue dollars things of that nature. There's another 25% that are costs that are just not sustainable, where we made salary cuts or we didn't – we cut the matches retirement programs and so forth. That leaves about another half of a cost that we cut on the table to potentially keep out permanently. And so, when we're talking about PeopleReady, it's about a mixture of what we can keep off the table from coming back on. It's also – there's opportunity that we think to further reduce the costs.

When I talk about employee attrition it's a bit of a message to our employees. We're not planning on having a big layoff of any sorts. And so, what we need to do in 2021 is to do a variety of testing because how this will work is as you know Mark in a metro market we may have 8, 10, 12 branches with 3, 3.5 people in each branch versus another staffing company that might just have one really big branch. So to harness the savings that we need to do here, we need to repurpose some more job roles and centralize some of those work activities, some nationally and some locally. And we gain some efficiencies by doing that alongside also additional efficiencies we can get with technology.

And then, as we close or consolidate branches, we also have to repurpose a lot of jobs that were customer facing. We have some branch managers that are going to be much better in an operational setting maybe around recruiting or running something that's centralized. We have some that are more – they just have more business development athleticism. They're great for the clients. We need to restructure those to face clients. All the while we have a company that is built up an understanding of how to do business built around branches. We have that are based around that, standard operating processes that are based around that and there's a lot of deep-seated culture around that.

That's not to say we can't do the change, we can absolutely do it. But as we go through, we need to test it in pieces because what we have to make sure is that the clients are not impacted at all while we do this change. It's very doable, but we need to do some testing and we need to be thoughtful about it. And what we're saying here is in 2021 this broader repurposing of jobs and doing centralization on a larger scale don't expect a ton of that from us in 2021 drooped to the bottom line, we'll be experimenting. But we'll keep you apprised along the way. We'll talk to you about it how it's going, where we're investing, where we're getting some savings, what we're seeing ahead. We're just going to need some time in 2021 to vet that out.

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

Q

Great. And then got a short-term question and I don't know if it's answerable, but you didn't give revenue guidance understandably. But how are you thinking about whether the revenue trends that you've seen recently are sustainable or not, particularly in light of what seems to be a resurgence with the virus here and some concerns?

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

A

Yeah that's a good question I'm glad you asked that, so everybody can hear our thoughts on this one. When you take a look at our monthly revenue trends what you will see is a pretty steady amount of improvement. And when I'm talking about improvement meaning that each month a year-over-year decline gets less. We've had some months where from one month to another it's improved by 6 points. We've had some where its improved by a 1 or 2 points. The best that I can take a look at is we did have a resurgence of daily – the average daily cases in July in the early part of August and we did see the rate of our improvement slow a bit in August. Hard to put your finger on how much of that's COVID versus other dynamics in the economy. But we think it's reasonable to assume that has some impact. So as those things surge we could see it may be slow the pace but we haven't yet seen anything where it has caused us to go backwards.

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

Q

I really appreciate the color. Thank you.

Operator: [Operator Instructions] Your next question is from Josh Vogel from Sidoti & Company. Please go ahead.

Josh Vogel
Analyst, Sidoti & Company LLC

Q

Thank you. Good afternoon Derrek and Patrick. Thanks for taking my questions. Apologies if anything's redundant. I did hop on late, but I did catch the tail end of what you were saying as you kind of covered some questions that had around SG&A. But I do have a question around the gross margin and your guidance, what's implied by the midpoint of fairly stable gross margin over the last three quarters. And you cited bill, pay spread pressure lower volumes and client mix. My question is we continue to see sequential improvement here off the Q2 trough, do you expect those pressures to ease and we think that the gross margin could get back to those like 2019 levels?

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

A

Thanks for the question, Josh. I'll take that one. And then if Patrick wants to add anything into it I'll let Patrick weigh in on it. So what we do see in our guidance for Q4, if you want to call it that we're giving some select outlook information is we're talking about a midpoint of gross margin contraction of 220 basis points to 230 basis points. That's less than what we experienced in Q3 of 300 basis points. Some of that is we've had some mixed things working against us in the gross margin area and we feel like we're starting to – we'll have less of that focus in – or less of that pressure going into Q4. Also our RPO business is – the revenue has improved a little bit towards the end of the quarter. We're anniversarying a couple of client issues. So it's coming down in terms of fourth quarter contraction versus third quarter.

Looking out, what is typically happened is as growth comes back, pricing power swings back to industrial staffing, we would expect to recapture some of this gross margin like we worked out in prior economic cycles as demand comes back. So I think the contraction it's a normal part of the process that happens in a recession. And then we've just got to make sure that we stay disciplined with our processes. And we've got some good ones in place to make sure we take advantage of this when things turn back around. So that's our plan and how we see the gross margin perspective both from a short-term perspective this year and as we look to as things start to turn around and get back to growth.

Josh Vogel
Analyst, Sidoti & Company LLC

Q

All right. Thanks. Thank you for the insights on that. Could you maybe just talk about trends in dialogue on the collections front today with regard to potentially better payment terms and what your clients may be asking for today versus at the onset of the pandemic or even since you reported three months ago just curious on and commentary there?

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

A

Well, Patrick, do you want to talk anything about the conversations with clients and I can give a couple facts as where we are numerically.

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

A

Yeah, I want to just go back to the question you had earlier Josh about the margins as well. Just to add one point that to what Derrek said is, our PeopleManagement business is our lowest margin business, but it's a business that we're seeing actually return to growth on a year-over-year basis and growth from a profitability perspective.

And as we've been selling new deals in that business we've seen some very healthy margins come out of that business both in the SIMOS brand and the Staff Management brand. So we're feeling really good about that business and the pricing that we're able to achieve there.

From a collections perspective, if you look at the last recession, our DSO went backwards on us by about five days. And for this particular downturn, we've seen movement of about one day unfavorably. So we've done a much better job this time around than we've seen in previous downturns in keeping our DSO and our collections as good a position as possible. So we've been working very closely with clients to make sure that we've got a handle on our relationship related to collections and it's bearing out in the results. So Derrek, you could probably cover a little bit more detail, but we're having good relationships with the clients and doing a really good job of collecting our receivables.

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

A

I don't have more to say, I think you've covered it well.

Josh Vogel
Analyst, Sidoti & Company LLC

Q

All right. Great. As we think about this K-shape recovery that has emerged, kind of curious where does your business fall today across the sectors that have largely recovered and begun hiring versus those that just don't seem to be coming back as of now?

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

A

Well, I'll make a few comments and Derrek maybe you can cover some of the details. If you look at our PeopleScout business as an example, we tilt pretty heavy into airlines, hotels, hospitality providers and there's some real pain there. And I think it's not only going to be pain in the short term, but we think it's going to be a multi-year level of pain. If you look at our hospitality and transportation were down in the 70-plus-percent range whereas within PeopleScout, the manufacturing is down in the mid-40s, services are down around 50% or so. So there's some that are performing better than others for full time hiring.

If you look at our temp business using PeopleManagement as an example, our retail business is actually up double digits year-over-year in Q3. So a lot of business and supply chains of retailers, manufacturing's down kind of high single digits.

And then if you look at the PeopleReady business, not surprisingly hospitality's been hit the hardest, construction and retail less so and then our services clients are actually up on a year-over-year basis. So K-shaped is how I would describe it. We've got sort of two speeds going on. You've got those businesses that are in demand, bouncing back very strong. We've certainly seen it in the manufacturing part of our PeopleManagement business and retail. And then you look at some of the others like hospitality and travel, we think it's going to be late 2022 or probably in the late 2022 before we start to see a big turnaround in those businesses whereas the others are bouncing back quite a bit faster.

Josh Vogel
Analyst, Sidoti & Company LLC

Q

All right. That's really helpful. And just lastly and again I apologize for hopping on late but did you disclose in your prepared remarks what the monthly revenue trends you saw throughout the quarter and in September – I mean, October?

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

A

Yeah, we provided some information in our deck on this but I'm going to just hit a couple of high points for you, Josh. So in June, we were down 35% as a company; in July, we were down 29%; August, 27%; and September, 22%. As you know we don't have October numbers weekly numbers for our RPO business that's billed on a monthly basis. But the improvement continued with our staffing business, which makes up 90% of our revenue into October. And we're running in the mid-teens in our staffing business through the first three weeks of October.

Josh Vogel
Analyst, Sidoti & Company LLC

Q

All right. Well, thank you guys for taking my questions.

Operator: [Operator Instructions] We have no further questions at this time. I will turn the call back over to the presenters.

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

Thank you and thanks everyone for attending our Q3 earnings call. We look forward to speaking with all of you again for our fourth quarter earnings call. And I want to say thank you to all of our employees and associates that have worked so hard during this pandemic. They're really stepping up across the board to make sure that all of our candidates, associates and clients get served well. So appreciate all that they're doing and look forward to our Q4 earnings call and make sure everyone stay safe. Have a great day everyone.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.