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TBI - TrueBlue Inc to Discuss Acquisition of Seaton

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the TrueBlue announces Seaton acquisition conference call. My name is Matthew and I will be your operator for today.

(Operator Instructions) As a reminder, this call is being recorded for replay purposes. Now I would like to turn the call over to Stacey Burke. Please go ahead, ma'am.

Stacey Burke - *TrueBlue, Inc. - VP, Corporate Communications*

Thank you and welcome. We appreciate everyone joining us on our call today. Please note that on this conference call management will reiterate forward-looking statements contained in today's press release and may make or refer to additional forward-looking statements relating to the Company's financial results and operations in the future.

Although we believe the expectations reflected in these statements are reasonable, actual results may be materially different from the forward-looking statements set forth in today's press release and presentation slides, which were filed in an 8-K today. Examples of factors which could cause results to differ materially can also be found in our most recent filings with the Securities Exchange Commission.

The discussion today also contains certain non-GAAP financial measures. Information relating to comparable GAAP financial measures may be found in the press release and presentation slides, which are posted on our website at ww. TrueBlue.com. We encourage you to review that information in conjunction with today's discussion.

On this call today is TrueBlue's CEO and President Steve Cooper and CFO Derrek Gafford. I will now turn the call over to TrueBlue's CEO Steve Cooper.

Steve Cooper - *TrueBlue, Inc. - CEO*

Thank you, Stacey. Good morning, everyone. We appreciate you joining us this morning on short notice.

Earlier today we announced that TrueBlue has agreed to purchase privately-held Seaton, adding complementary outsourcing solutions such as high-volume employee recruitment process services and strategic outsourced workforce management to the specialized staffing solutions and on-site workforce management offerings that we previously had. This acquisition makes us the largest industrial staffing company in the US with the addition of these specialized services.

I want to share the strategic rationale for this significant acquisition with you here this morning and the powerful positive impact we believe this will have to the future of TrueBlue. Before proceeding, though, I want to address our updated guidance that we included in our release today.

For the second quarter of 2014 we now estimate revenue in the range of $451 million to $457 million and net income per diluted share for the quarter of $0.22 to $0.26, which includes $0.06 of non-recurring costs related to the acquisition of Seaton. Compared to our previous midpoint estimate for the quarter, given on April 22, this new midpoint estimate represents $9 million less revenue and $0.05 less net income per share, excluding the non-recurring costs related to the acquisition announced today.

This shortfall in revenue is primarily related to the slowdown we noted in the first quarter associated with harsh weather and a generally slow economy as noted by declining GDP in the first quarter. The shortfall in revenue was primarily in our project-based energy and industrial services. We had over $10 million of projects delayed due to the difficult weather in the first quarter and which impacted our second-quarter results. These delays were related to permitting and other preparatory work on these significant energy projects.

The lower net income per share estimate was primarily driven by the shortfall in revenue along with our higher costs in Q2 as a continued investment to ramp up for our busy season, even though projects were slow to start. These delayed projects now have firm start dates of the end of June and early July. We are encouraged that our overall business is expanding and there does not appear to be a prolonged negative impact due to the slow start in our seasonal business.

This reduction in our estimates will result in our organic growth being 3% in Q2 versus the 5% we had earlier estimated. We are optimistic our results will bounce back to our earlier estimates of mid-single digit organic growth in the back half of 2014.

Now, I am excited to discuss with you an overview of our transaction announced this morning to acquire Seaton, a privately-held company and a leading provider of recruitment and workforce management.

TrueBlue combined with Seaton will be the largest industrial staffing provider in the US. This is a combination of two great companies that share the same purpose of putting people to work and changing lives. Together we can do more to get people to work and help businesses be more productive by handling all of their employment sourcing, recruiting, screening, and workforce management needs.

Seaton is a leading recruiter and outsourcing provider through its brands: PeopleScout, Australia-based HRX, Staff Management SMX, and StudentScout. Its clients include many of the world's most recognizable brands in a broad range of industries such as airline, financial services, retail, manufacturing, and transportation.

PeopleScout and HRX specialize in recruitment process outsourcing, RPO, which involves large-scale recruitment of full-time employees for clients such as Delta Air Lines, McKesson, and Bank of America. These business lines fully outsource or complement the Companies' in-house recruiting departments for full-time employees. This is a fast-growing segment in the HR space and both these brands are leaders in their given geographic markets of the US and Australia.

Staff Management is an outsourced workforce management provider that recruits and manages contingent employees on-site at clients' facilities and they serve customers such as Amazon.com, Mars, and Proctor & Gamble. This service uses centralized services combined with on-site delivery to serve large-scale high-volume facilities. Given that the sourcing and application processes are automated and online, the costs associated with these processes are lower than a standard delivery model, thereby allowing staff management to be very competitive while still producing over 5% EBITDA margins.

Staff Management is also a leading provider of managed services, MSP. This management service collects a fee based on the total expenditure of contingent labor procured by their clients from staffing companies. This is a large and growing market, which we believe is less than 20% penetrated.

StudentScout provides outsourcing services supporting the admissions processes of colleges and universities like Corinthian College. This is an early-stage service that is in a service line with high demand from the competitive landscape facing post-secondary, for-profit institutions.

The service lines acquired from Seaton all operate centralized models with certain processes delivered directly at the client's location. They do not operate local market branches.

It will be business as usual for Seaton customers in that they can expect the same great service from their current service teams. Current Seaton CEO Patrick Beharelle will join TrueBlue and become President and Chief Operating Officer of TrueBlue Outsourcing Solutions, a new group that will include PeopleScout, HRX, Staff Management SMX, and StudentScout. Each service line will continue to report to Patrick and be led by its current leadership team. AThe group will remain based in Chicago.

TrueBlue's existing service lines, which offer specialized staffing services including on-demand general labor, skilled labor, aviation mechanics, truck drivers, and our other focused service teams, will comprise TrueBlue Staffing Solutions. This group will stay based in its current locations and continue to serve a broad customer base in the construction, manufacturing, transportation, aviation, waste, hospitality, retail, and renewable energy industries through a combination of our local market branches and certain centralized processes. President and Chief Operating Officer of TrueBlue Staffing Solutions, Wayne Larkin, will continue to lead the group.

The use of recruitment process and workforce management outsourcing is growing quickly in the marketplace. Adding PeopleScout and Staff Management to our teams dramatically expands TrueBlue's ability to provide these services to customers and also adds to the Company's long-term growth potential in these high demand services. The international presence of PeopleScout, HRX, and Staff Management SMX also opens up new international markets to TrueBlue, especially in Australia where HRX is located, and certain other European and Asian markets where PeopleScout has just gotten started with the RPO business.

The new TrueBlue Staffing Solutions and outsourcing solutions groups will be very complementary with each other. The Staffing Solutions Group primarily uses a combination of local branches and some centralized processes, while the Outsourcing Solutions Group will primarily use centralized processes with certain services delivered on-site at the clients' location. We are excited to immediately begin testing the centralized services from these acquired service lines in our Staffing Solutions Group to assist in our objective to reduce our dependency on our local branches.

Seaton has proven processes that are able to source and onboard applicants with a very low-cost model. We had been busily working on reducing the dependency on our branch locations, and one of the last business processes we have yet to implement is the sourcing and onboarding of applicants without the use of branches. We believe the combination of the acquired processes and technology will speed up our ability to implement this very thing.

With the power of our two groups working together, TrueBlue can become the leading provider of workforce solutions, which broadens our service offering beyond blue collar and beyond staffing. This is an exciting time at TrueBlue. I strongly believe this acquisition opens up tremendous new opportunities for our customers, employees, and workers, and can offer continued great returns for our shareholders.

We look forward to this transaction closing by June 30 and welcoming our new employees from PeopleScout, HRX, Staff Management SMX, and StudentScout to TrueBlue. I will now turn the call over to CFO Derrek Gafford for a few comments before opening up the call for your questions. Derrek?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Thank you, Steve, and good morning. I will give a brief overview of the key transaction points and credit facility, and then discuss our outlook for the Outsourcing Solutions Group.

We are purchasing the equity of Seaton for $310 million, which includes tax assets with a net present value of about $20 million. Net of the tax asset, this represents an EBITDA multiple of 7.8 times annual forward-looking EBITDA. We expect to fund the transaction with $120 million of existing cash and $190 million of debt on a $300 million credit facility, which will replace our existing facility.

It is an asset-backed, covenant-light facility with a five-year term and interest rate of 2% at close. The transaction is expected to close at the end of June or early July following regulatory approval.

This transaction optimizes our capital structure by using excess cash and a moderate amount of debt while preserving plenty of liquidity to run the business. Excluding amortization expense, this transaction would have increased 2013 return on equity to 16% versus our actual of 12%. Post-close liquidity, defined as "cash plus borrowing availability," will be a healthy $90 million.

Looking forward to the 12 months following the close of the transaction, estimated results for the Outsourcing Solutions group are $730 million to $750 million of revenue and $35 million to $39 million of adjusted EBITDA, which excludes non-recurring acquisition and integration costs. We expect $4 million of non-recurring costs in Q2 this year and another $3 million over the 12-month period following the transaction closing.

We also expect $16 million of depreciation and intangible asset amortization; the valuation of intangible assets is still in progress. We also expect $6 million of annual capital expenditures.

Our outlook does not include any synergies. Potential synergies in this transaction are geared toward optimizing future revenue and the scalability of our cost structure versus more immediate cost synergies experienced with recent acquisitions within our core business. We will provide more insight in this area later in the year after the transaction closes and the Outsourcing Solutions group has been involved in strategic planning.

One last thing, this business does have a seasonal nature to it. About two-thirds of the annual calendar year EBITDA occurs between July and December from the strong seasonal build of the light industrial OWM business.

Additional information on the Seaton transaction business and future outlook can be found in the presentation filed in the 8-K today and located on our website.

That's it for prepared remarks. We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Thank you so much. I know in the 8-K you have a little bit about some of the clients that Seaton has, but I was wondering if you can just give us a little bit more color. Is there any different client overlap or are these completely two separate client bases between your company and their company?

Steve Cooper - *TrueBlue, Inc. - CEO*

Thanks, Jeff. It's similar types of customers. It's scale that is different, especially -- now let me break the customer up a bit. So, the two major divisions that we bought are service lines in Staff Management and PeopleScout. Let me first speak to Staff Management.

Staff Management has very similar types of customers that we currently serve,; but its scale is much larger. So the customer names that I mentioned here today -- Amazon.com, Proctor & Gamble -- they serve large facilities where there could be thousands of workers and Staff Management is able to manage 1,000, 2,000, and even up to 3,000 of these workers. There might be a base number of 3,000 that work in that facility year-round; 2,000 of those workers are full-time permanent for them and on an ongoing basis Staff Management manages 1,000.

However, Derrek mentioned there's a high seasonal nature, especially the fall retail season and November and December. When customers ramp up, they might double the size of the warehouse from 3,000 employees to 6,000 and in that case Staff Management's employees go from 1,000 to 4,000; it's all contingent workforce in that seasonal lift.

So, it's very similar to the smaller customers we serve in our Staffing Solutions ;roup, however, the scale is amazing. And being able to do that through a centralized process that doesn't have a large fixed cost in the market year-round makes this an amazing service.

Now let me just speak for a second to the StudentScout customer -- excuse me, the PeopleScout customer. We don't currently have that business line at TrueBlue, which is the RPO, the recruitment process outsourcing. Seaton now will bring to us, through the PeopleScout service line, the ability to recruit direct or permanent or full-time people directly to the customer.

Delta Air Lines is a good example -- PeopleScout does most of the full-time recruiting for Delta Air Lines. They have a dedicated team, some of them in a centralized building, some of them on-site for the customer, where they really replace the HR Department for Delta in the recruitment of their workforce.

That is a fee-based business where PeopleScout doesn't take on the employee, they don't take on the employee risk or the employee cost, and that is a little bit different business model for us. But those are the two major service lines that we have purchased here and the major types of customers, so thank you for that, Jeff.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, that's helpful. Now that you are going to have two different groups, Staffing Solutions and Outsourcing Solutions, will you be reporting those results separately for us?

Steve Cooper - *TrueBlue, Inc. - CEO*

Yes, we will be reportinged under two different segments now.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great; just one more quick one. Are there any earn-outs in this deal or is the $310 million the entire purchase price?

Steve Cooper - *TrueBlue, Inc. - CEO*

No earn-outs. That $310 million is subject working capital adjustments, but no further earn-outs.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. I will jump back in the queue. Thanks so much.

Operator

Paul Ginocchio, Deutsche Bank.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thank you. First, was this an auction or was this an exclusive deal? And second -- let's do that first one first.

Steve Cooper - *TrueBlue, Inc. - CEO*

Yes, they had been to market in 2012, but this still was an exclusive deal here in 2014.

Paul Ginocchio - *Deutsche Bank - Analyst*

Great. Second, just the underlying growth. You're assuming in that 12 month that 7% to 8%; that seems conservative relative to what it has been growing. Can you just talk about that?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

It is a bit higher than that. Seaton has historically grown in the upper teens -- upper teens, 20% in 2013, a little bit less than that the prior year. Our revenue growth is in the same category as mid-teens, mid to low teens.

Paul Ginocchio - *Deutsche Bank - Analyst*

That is the underlying assumption?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

That's right.

Paul Ginocchio - *Deutsche Bank - Analyst*

Okay. I'm sorry; I'm looking at your second-quarter revenue growth of 70%.

Can you just talk also -- sorry, Derrek. Can you talk about if there will be any synergies were those would be and how you could achieve those?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Sure, I'm glad you asked that question. From a synergy perspective, there is none priced into any of the guidance that we are giving here. The synergies here will mostly be on revenue accretion and costs, scalability synergies as we grow.

When I talked about revenue synergies, we are excited about the client base that we do have overlap in. These are very complimentary service products, so we are talking about RPO products, and those customers that are served there, they are different buyers. So this doesn't cause any conflict in our sales channel by offering these products to our customers or current customers or, vice versa, to their customers.

Steve mentioned on his discussion about recruiting and the centralization of that. That is an area that we have not yet perfected here at TrueBlue but Seaton has. And that's something that we are really excited about--using some of their technologies and processes to bring more of that to TrueBlue to provide workers faster and in a more economical cost delivery model.

We can give some more comments on that, Paul, and some more direction on that when we get to the third or fourth quarter and get to involve Seaton more. But that gives you some direction.

Operator

Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Morning. First of all, just looking at the numbers that you disclosed, it looks like Seaton is around a 16% gross margin but a very high conversion rate from there. Just underneath the covers there I was wondering if the growth margins might be significantly seasonal, because I imagine these different segments have different gross margins themselves.

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Randy, good morning. The gross margins here do have a bit of seasonality, probably not quite as dramatic as ours, but that light industrial business will have a seasonal ramp- up in the gross margin, just like with our gross margin; and they take a bit of a dip in the fourth quarter because of some of the holiday work and some of the pay that goes along with that.

The overall gross margin, as you mentioned, for Seaton is about 16%. That's lower than our blended gross margin. or our current gross margin which will bring the blended gross margin down a bit.

However, this is an important point for us to focus on gross marginwise from two aspects. The conversion rate, as you mentioned; the percentage of their total gross profit that they convert down to EBITDA runs about 30% compared to ours currently at 20%. They run a very efficient cost structure and that's something that we are excited about on the TrueBlue side, using some of that because our total conversion rate is about 20%.

I think we can talk a little bit more as we get into the business about where some of those other differences come in, but the bottom line is the OWM business runs a bit lower and the rest of their service lines runs a bit higher, averaging out to 16%.

Randy Reece - *Avondale Partners - Analyst*

Is their third quarter their largest of the year, like yours is?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

It's the fourth quarter.

Randy Reece - *Avondale Partners - Analyst*

Just briefly, on your prerelease you mentioned construction delays and I was wondering if that was concentrated in any region or any part of your business.

Steve Cooper - *TrueBlue, Inc. - CEO*

No, not really, Randy. I guess there would be more concentration in some of the states that have more seasonal weather patterns versus those that are in the warmer states, but that was pretty broad-based. So we saw construction starts delayed and coming slower out of the gates as we came into April, particularly May, than we expected.

Randy Reece - *Avondale Partners - Analyst*

Very good, thank you very much.

Operator

Sara Gubins, Bank of America.

Brian Davis - *BofA Merrill Lynch - Analyst*

Good morning, this is Brian Davis for Sara Gubins. Just one point of clarification. You mentioned the growth rate for Seaton organic being upper teens in 2013. Is that correct?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

That's right.

Brian Davis - *BofA Merrill Lynch - Analyst*

Okay good. And its growth going ahead?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Mid-teens.

Brian Davis - *BofA Merrill Lynch - Analyst*

Right. Right, mid-teens, okay. Secondly, is there -- does this change your plans for branch closures by any means? You said that you had been planning to close roughly 40 more branches this year.

Steve Cooper - *TrueBlue, Inc. - CEO*

Yes, thank you for that. Here in 2014 it's not going to change our plans, as previously disclosed. We will get busy, though, looking at this centralized process, the technology that we are acquiring, and determine what kind of impact it will have on our 2015 strategy.

We are going to run these as two separate groups, but blending of the process for technology to source and onboard applicants will be similar. And so there could be some 2015 impact as we look at the total branch count and the number of employees we need in the marketplace to do recruiting versus using the centralized process here. So more to come later in the year.

Brian Davis - *BofA Merrill Lynch - Analyst*

Very good, thank you.

Operator

(Operator Instructions) Kevin McVeigh, Macquarie.

Kevin McVeigh - *Macquarie Research - Analyst*

Great, thanks. Any sense of the business-- it sounds like the gross margin was a little bit lower, but what type of targeted EBITDA are we shooting for in a combined entity? It sounds like there could be some synergies on the sourcing side post deal.

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Good morning, Kevin. Yes, their gross margin we talked about runs a little bit lower than ours, so does the SG&A cost structure. Their EBITDA runs a 5.2% margin, which is exactly the same as ours. So it is very comparable.

Kevin McVeigh - *Macquarie Research - Analyst*

Got it. Then in terms of just overall accretion and dilution with the goodwill, is this accretive over the next 12 months? You gave pretty good revenue detail, but just overall from an EPS perspective as we think about the modeling in 2014 and into 2015.

Steve Cooper - *TrueBlue, Inc. - CEO*

This is accretive, so even with the depreciation and amortization that we have talked about here today and the large load that comes on this is still EPS accretive.

Kevin McVeigh - *Macquarie Research - Analyst*

Great. Derrek, from a competitive perspective who often does Seaton most compete against in the marketplace?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Well, it depends which service line we are talking about. I think if we break it down like Steve mentioned, the OWM business, that's their on-premise business that we have talked about that provides services on a large-scale. That will compete against some of the larger players in the market, industrial staffing providers.

It also competes against some smaller providers in the market that have a bit more of a niche service like OWM does. However, they are so differentiated in how they are able to deliver these services from a centralized manner in such a cost-effective method. They are very competitive in the marketplace.

They have about a 95% customer retention rate, which is outstanding. On the RPO side, the top competitors would be some of the staffing firms that offer the solution and some pure-play providers in the marketplace. That's basically the breakdown on the two largest service lines.

Kevin McVeigh - *Macquarie Research - Analyst*

Got it. Then just if I could, any client concentration? And if so, have you kind of had discussions with those folks around this transaction at this point from a retention perspective? It sounds like it's pretty high as it is, but just any meaningful concentration?

Steve Cooper - *TrueBlue, Inc. - CEO*

Yes, there's some pretty significant concentration on some large accounts. The main one that we mentioned was Amazon.com, but even that concentration is spread across multiple sites and the average implementation in any one given site is $3 million. So it's spread well. Even if it's under one logo, it's spread out quite well and there are separate buyers. So that's the good news.

You had mentioned or you had a question a little earlier about synergies, post deal what we might be expecting. We had spent some time talking about the process and technology and how we might be able to lean on that for our branch locations, and that's a significant one that we're going to go after quickly.

But one that we will go after immediately is in our Staffing Solutions group. We currently serve almost $100 million of on-site business through about 25 locations, again, about a $3 million to $4 million average site. We believe these will be better handled in the centralized service, so we are going to transfer the client service of those on site accounts as soon as possible.

Obviously, we will take our time and be thoughtful with those accounts and with those employees that will be serving them, but we believe that will be a cost model for us to be able to service those 25 accounts that way, and that will be an immediate thing.

Second is the process and technology which they have centralized , to see if that will speed up our ability to both source and onboard the temporary employees in a marketplace, much like they source and onboard employees for a specific engagement. We think that will be powerful.

We've been talking over the last 18 months or so with you about reducing the dependency on our branches. We have put technology in place for the morning processes, such as dispatch, and we have talked about our texting ability. And we have evening payout processes, made them electronic. Really, that daytime work of customer service and mostly recruiting is our remaining business processes that need to be worked on.

So this gives us a huge leg up in both centralizing services and centralizing processes around sourcing and onboarding temporary workers. That is pretty powerful.

The synergies we have talked about: one is the on-site management; two is this process and technology; and then third Derrek mentioned it is most of the synergies. And the ones that are hard to identify at this point in time are our revenue synergies, what might come from taking 150,000 customers that we currently have, offering them the RPO service, or even the ability to step up and be more of an outsourcing partner with them like Staff Management is.

We are excited about that. That's a harder one to get your hands around because you have to do that through the engagement teams and the planning, but I think there's going to be powerful synergy there.

Kevin McVeigh - *Macquarie Research - Analyst*

Understood. Then just last question. In terms of the revenue mix, is it pretty consistent to what the GP is in terms of percentages? Because you give pretty good detail on that slide number four. Is the revenue mix pretty similar to that as well?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

It's roughly close. I think that's a good proxy to use.

Kevin McVeigh - *Macquarie Research - Analyst*

Okay, thank you.

Operator

(Operator Instructions) Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Just a quick follow-up from a modeling perspective. You mentioned you're going to be reporting the segment detail separately. Just on the quarterly earnings release itself, what type of information will you be providing for us?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

We are still evaluating that, Jeff. We are new to segment reporting so we are researching that and trying to better understand what the best way is to provide all of you with the most relevant information, but do it in a concise manner. So we will have more to offer you on that as we get closer to the end of the third quarter.

Jeff Silber - *BMO Capital Markets - Analyst*

Well, I will speak for me; the more you can provide the better we can analyze the impact of the transaction on your business. Thanks.

Operator

Paul Ginocchio, Deutsche Bank.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thanks. Derrek, I'm trying to get to your guidance for the second quarter, including the costs. Is your gross margin just slightly lower than you previously expected or are your costs slightly higher? Because I can't -- I'm a little bit high on the EPS even if I take my revenue down. Thanks.

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Thanks for that question, Paul. Yes, there is roughly a little over $1 million, call it $1.5 million in there of additional cost. They are not permanent additions to our cost structure. They are not costs that we plan on being there in the third quarter.

And if you throw those in, I think that will reconcile the midpoint of our earnings-per-share guidance that we previously announced originally, compared what we've talked about here today.

Paul Ginocchio - *Deutsche Bank - Analyst*

And can you talk to what those are?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Yes, a lot of it has to do with our systems analysis. We have had a consultant in here working with us on analyzing how we are building systems, implementing systems, working on systems. And probably at least half of it is related to that and then even some related costs to making some changes there.

Paul Ginocchio - *Deutsche Bank - Analyst*

Is that anything to do with the deal? (inaudible) some sort of deal or that more just a regular review of your systems?

Steve Cooper - *TrueBlue, Inc. - CEO*

That was outside the deal costs. It was just really mostly related to ongoing; we wanted to be ready for innovation and some of these other changes that we've been implementing in regard to technology and process.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thank you very much.

Operator

Josh Vogel, Sidoti.

Josh Vogel - *Sidoti & Company - Analyst*

Thank you. Good morning, everyone. I missed the comments you were talking about on the financing and the cash on hand after the deal. Can you just restate those?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

I sure can. After the deal will have about $90 million of liquidity, so that's a mix of borrowing availability plus cash on hand.

Josh Vogel - *Sidoti & Company - Analyst*

Okay. And can you discuss your appetite for more deals? I know you've been pretty active now since early 2013. Can you just talk about the acquisition pipeline today?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Sure. There is still a very good pipeline out there, Josh. We will certainly have our hands full here working with the Seaton team on some of the integration here and this is a big change in the strategy of our core business.

However, this is not a huge integration task, like something that comes into our existing business. We are still very interested in doing additional acquisitions. It remains a big part of our growth strategy and I think we will be busy year for the next quarter or two. Certainly the work doesn't stop after that, but we are still interested in pursuing other acquisitions either in our core business or in adjacent markets close to our core business in human capital services, like we did with this transaction.

Josh Vogel - *Sidoti & Company - Analyst*

Okay. You actually led into my next question about the integration. I'm just wondering if you could talk about the timing there and what the integration will entail in terms of potentially consolidating Seaton into any of your branches.

I know you said that it doesn't change your branch closure plans, but I was just curious how the integration is going to go into the legacy TrueBlue operations.

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Sure. Yes, as far as integration, let's maybe talk about integration in a couple aspects.

Typically when we are talking about integration, it is tying systems together. It could be changing processes to make them common amongst the two enterprises. In this circumstance of the services that Seaton is offering, there's some uniqueness to them and they are different services from our current offering basket.

So in those circumstances we will be careful how we integrate. We went integrate things that are common, but preserve things that differentiate the service that is being delivered to the customer. From an operations perspective ,there's not going to be a lot of traditional integration here.

Certainly our operating leadership between the two groups will be talking, they will be strategizing together, they will be planning together, but it won't be a traditional integration of business processes and systems that, least not on the front end, that impact the customer. The back end side of things, where we have common vendors, where we have some common processes or programs, our financial systems, for example, those will be integrated. And those types of things we will go to work on as soon as the transaction closes.

Steve Cooper - *TrueBlue, Inc. - CEO*

I think we need to just remind one more time that the most powerful portions of this integration have to do with what's happening out in this field and how we are going to go build a market together. We already mentioned moving our on-site locations out of our staffing business. That will leave the Staffing Solutions Group a very local market-driven company that's based on on-demand filling orders for all sizes of customers.

Second is using their process and technology to help us get to market faster, reducing our dependency on branches. That will be tested further this fall, but we are excited about that. And then really most importantly, which can't really come into play until we plan this business together, is the potential of the new markets, both internationally and other markets that are open because we've never offered the RPO service.

So I think those are the most important parts of integration and synergies that we can bring to the table here.

Josh Vogel - *Sidoti & Company - Analyst*

Okay, great. Just lastly, does Seaton have any significant client concentration? I know you do have some overlap that your scale has improved. Have you spoken or had any dialogue with the clients that you do overlap with and were they happy with this deal?

Steve Cooper - *TrueBlue, Inc. - CEO*

Let's speak to that. We have not had any conversation with customers, and until the transaction is approved, we won't be having any conversations with their customers or vice versa.

From a concentration perspective, these are larger customers than our current customer base here, so the concentration from a customer perspective is more significant. And that's really what the business has entailed and been designed to do. That's both on the RPO side and the OWM side, that is the on-premise industrial staffing.

However, I will say for the industrial staffing side, the OWM business, is spread with customers generally across more than one site and for most, not all, but for most of those customers the buying decision is done on a site-by-site basis. So that does provide some coverage or risk mitigation around the concentration.

Josh Vogel - *Sidoti & Company - Analyst*

Okay, so you may have one or two clients greater than 10% of revenue post deal?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

No, I don't see anything of theirs being over 10% of our combined revenue right now.

Josh Vogel - *Sidoti & Company - Analyst*

All right, that's all I have right now. Thank you very much.

Steve Cooper - *TrueBlue, Inc. - CEO*

Josh, one follow-up to your comment about if we have talked to customers. Obviously as part of due diligence we have, but it was a different angle. Rather than planning the future, it was more understanding who they are and their plans, and so we are comfortable with those -- that level of diligence and understanding their customers in that regard.

Josh Vogel - *Sidoti & Company - Analyst*

Okay, that makes sense. Thank you.

Operator

Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

A quick one. You gave the capital expenditure number for Seaton. Is that a good guide for their level of depreciation expense?

Derrek Gafford - *TrueBlue, Inc. - EVP & CFO*

Yes, that's a good proxy, Randy.

Randy Reece - *Avondale Partners - Analyst*

Thanks.

Operator

Thank you for your questions, ladies and gentlemen. I would now like to turn it over to CEO Steve Cooper for the closing remarks.

Steve Cooper - *TrueBlue, Inc. - CEO*

Thank you for joining us this morning, especially on short notice, and giving us an opportunity to share our great news of TrueBlue acquiring Seaton, which will broaden our offerings and provide expanded opportunities for growth in many years ahead. Have a great day.

Operator

Thank you for joining today's conference, ladies and gentlemen. This concludes the presentation. You may now disconnect. Good day.