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TBI - Q3 2015 TrueBlue Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the third-quarter 2015 TrueBlue earnings conference call. My name is Tony and I will be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to Mr. Derrek Gafford, CFO with TrueBlue.

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

Good afternoon, everyone. Here with me is CEO Steve Cooper. I'll address the Safe Harbor language and then hand the call over to Steve.

This conference call includes forward-looking statements, which are subject to known and unknown risks and uncertainties. These statements are based on management's current expectations or beliefs. Actual results might differ materially from those projected in the forward-looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements can be found in the Company's Annual Report 10-K filing, and other Securities and Exchange Commission filings. Any forward-looking statements in today's call speak only as of the date of which they are made, and we assume no obligation to update or revise any forward-looking statements.

The discussion today contains non-GAAP terms, including, but not limited to, EBITDA, adjusted EBITDA, and adjusted earnings-per-share. Adjusted EBITDA excludes nonrecurring integration and acquisition costs. Adjusted earnings-per-share excludes nonrecurring acquisition and integration costs, amortization of intangible assets, and adjusts income tax expense to a 40% marginal rate.

These are measurements used by management in assessing performance and, in our opinion, provide investors with additional insight on the underlying trends of the business. We have provided reconciliations of the non-GAAP measures mentioned here today to GAAP measures on the Investor Relations section of our website at TrueBlue.com.

I'll now turn the call over to Steve.

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Thank you, Derrek, and good afternoon, everyone. Today, we reported our third quarter of 2015 revenue grew 8% to $684 million, which produced $44 million of adjusted EBITDA, which was growth of 13% when normalized for certain non-comparable items, including a larger-than-normal Workers' Compensation reserve adjustment last year and certain startup costs on new client wins here in 2015. This normalized adjusted EBITDA also shows our adjusted EBITDA margins expanded by 30 basis points to 6.9% on a normalized basis compared to last year.

We are thrilled with the results we are reporting today for a couple reasons. First, our team delivered solid organic revenue results this quarter. The pace of our organic growth took a significant step up compared to the growth in the first half of the year. We are especially pleased that the results came from a wide variety of geographies and industries, as well as broadly from national and local customers.

Our legacy TrueBlue brands, along with our new brands from our acquisition of Seaton in July of 2014, are all showing strong growth. We are really performing well across all areas of the Company. And here, into early Q4, the growth is continuing to hold strong and even show further acceleration across all service lines.

The second area I'm excited about in our reporting of our results today is the continued improvements in our profitability. When normalizing our results for a couple of key items, you can see our adjusted EBITDA margins continuing to improve. This comes as a result of the 8% organic revenue growth, which is showing leverage in our profitability by growing our normalized EBITDA margins by 13%.

Containing costs and maintaining strong gross margins remains a focus for us as we grow organically. This strategy will provide an opportunity for us to continue to move our adjusted EBITDA margins up and exceed our stated objective to get them above 7% annualized.

TrueBlue is well-positioned for continued growth in our Staffing Services segment by serving customers on a local basis through our strong network of almost 700 branches, along with our strong on-premise centralized delivery system, serving over 200 client locations. Both our branch network and our centralized delivery team are showing similarly strong revenue growth. We are positioned in the right growing industries with the right service capabilities to continue our momentum in this current environment.

We remain confident our staffing business is oriented in the right verticals and positioned well for growth. The demand for general labor and skilled trades is strong. Construction growth is continuing to show improvement and is having a positive impact on our results.

Businesses across all verticals are searching for and finding the right mix of contingent and permanent workers to drive their businesses forward. In this regard, we can offer more to our customers than ever before, and serve new customers because of the investments we've been making.

In our workforce management service line of Staff Management, we are serving some of the largest and fastest-growing companies in North America. We are proud of the quality service they are delivering, and we are excited about how they will shape TrueBlue as we continue to grow and develop our service capabilities here in North America. Our largest customer is now coming from our workforce management group and is now approaching 10% of our total revenue.

For our branch-based business, we have continued to make progress in building a more efficient business model here in North America through the use of technology, and combining certain leadership and sales teams across our staffing business lines. The efficiency being gained in our Staffing Services segment will allow us to remain competitive on pricing along with being the employer of choice for those seeking work and those seeking flexibility in their work.

It remains a great environment to be a leader in delivering world-class staffing services that improve the performance of our customers. We are in a leading position in industrial staffing in North America and we are proud of that.

Our Managed Services segment includes our recruitment process outsourcing and our vendor management services. Growth in these service lines has been strong, and the pace at which we are winning new deals is promising, and should continue to deliver the 14% constant currency growth we saw this past quarter.

The RPO business is a fast-growing service in the global human capital management. PeopleScout is positioned well with award-recognized service delivery. We are seeing an increasing number of deals come to market for permanent hire recruiting. With our leading service provider of PeopleScout, we are positioned well to respond to these RPO opportunities.

We plan to be the leader in RPO by ensuring our RPO delivery model can deliver globally the same award-winning service we've been recognized for here in North America. This will happen by first continuing to grow our North American business and partnering with these strong clients to be their global provider; and second, continuing to look for expansion opportunities around the globe to acquire or partner with firms currently providing recruitment services outside of North America.

We continue to see great promise in driving this strategy forward. We remain enthused with the organic growth opportunities in our business. We are in the right service lines that are showing growth in demand.

I've spent most of my time here today discussing our excitement around organic growth. In addition to this, we continue to seek acquisition opportunities to grow TrueBlue, with three things in mind. First, expand our service capability by adding additional service offerings to our current customers. Second, expand our current customer list and our current geographies. And third, expand the geographies we serve.

With a broader focus on the overall human capital space, our acquisition opportunities are growing beyond acquiring further branch-based businesses. We certainly expect TrueBlue will continue to grow using the same principles of acquiring and integrating companies like we have successfully over the past 10 years. And this growth would be significant in addition to the organic growth we are currently experiencing.

With our focus on a broader spectrum of capabilities for our customers, we have the opportunity to improve our organic and acquired growth rates from here, and continue to deliver the right workforce at the right time to the marketplace. From general labor to skilled trades to workforce management, and recruiting full-time positions, we find ourselves well-positioned in sectors that are the fastest-growing.

Let me turn the call over to Derrek for further analysis and commentary. Derrek?

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

Thanks, Steve. The Company delivered an impressive set of results this quarter, with total revenue of $684 million, which was nearly $20 million above our midpoint expectation. Nearly every service line was up 5% or more, and the Company's top 10 states all experienced improving trends. We saw improvement across all industry verticals with the exception of manufacturing, which continues to face a challenging export market.

In construction, we saw considerable improvement with 10% growth, driven by momentum in both residential and nonresidential markets. Revenue for Staffing Services was up 8%, with the branch-based operations continuing to deliver strong results within the national customer base, and an upturn in demand from small to medium-sized customers toward the end of the quarter.

Green energy returned to growth this quarter versus a decline in prior quarters. The on-premise business also continues to deliver strong revenue results with both its largest customer and within the core customer base. Revenue growth for the Managed Services segment was 10%, or 14% on a constant currency basis, boosted by new customer wins and expanded services within existing customers. We continue to win new RPO deals at an encouraging pace, reaffirming our optimistic sentiment regarding its growth prospects.

Now let's discuss the Company's profitability for the quarter. Total adjusted EBITDA was $44 million for Q3, up 5% and in line with our guidance expectation, albeit lower than one might expect, given the revenue beat for the quarter due to two items. We incurred $2 million of costs related to obtaining and implementing new customer relationships, which were not included in our guidance expectation. Also, the year-over-year gross margin comparison is unfavorably impacted by 20 basis points, due to the size of the Workers' Compensation reserve adjustment in Q3 2014.

Excluding the impact of these items, adjusted EBITDA margin expanded 30 basis points to 6.9%, and adjusted EBITDA growth was 13%. Staffing Services EBITDA was up 10%. Excluding the two items mentioned earlier, EBITDA and EBITDA margin grew by 17% and 70 basis points, respectively.

Managed Services EBITDA and EBITDA margin declined by 15% and 340 basis points, respectively, due to new customer implementations and currency. On a constant currency basis, Managed Services EBITDA and EBITDA margin were down 3% and 230 basis points, respectively.

Total company gross margin was down 50 basis points, with 20 basis points from the Workers' Compensation headwind discussed earlier. The other 30 basis points is from a change in revenue mix as the rate of growth among national and on-premise customers has outpaced the growth of small to medium-sized customers, which generally carry higher gross margins. SG&A expense was up $5 million, net of $2 million of nonrecurring integration costs in Q3 2014, or $7 million excluding these costs.

The new customer-related costs discussed earlier constituted $2 million of the increase and the remaining $5 million from costs associated with a $50 million increase in revenue. This quarter's 39% effective income tax rate was lower than the 28% rate in Q3 last year, which included an increase in expected benefits related to prior-year tax provisions. Please note that the adjusted EPS calculation provided, accounts for the difference between these rates.

Turning to the balance sheet, Q3 finished with $115 million of total debt and a debt to trailing adjusted EBITDA ratio of 0.8. Total liquidity, defined as cash plus borrowing availability on the revolving credit facility, was $225 million.

Looking ahead to Q4 2015, we expect total revenue growth of about 8%. On a segment basis, Staffing Services revenue is expected to be up 8% and Managed Services about 7%, or 9% on a constant currency basis. Adjusted EPS is expected to be $0.58 to $0.64. Based on the adjusted EPS midpoint, this equates to adjusted EBITDA of about $48 million or 15% growth.

Due to the size of the reserve adjustment to Workers' Compensation in Q4 2014, expense was 40 basis points lower than the current 2015 run rate. On a comparable Workers' Compensation rate basis, adjusted EBITDA growth is expected to be about 20%.

We will continue using a combination of organic and acquisition growth to deliver value to shareholders. Organic growth is clearly our top priority, due to the strong returns produced by the Company's operating leverage. The challenge of finding the right talent is an increasing concern across businesses of all types, due to a smaller pool of available talent and a widening skills gap within the pool available.

With a rapidly aging workforce, changing demographics, and other related factors adding to the challenge, we believe this trend will intensify over the next decade. We like our strategic positioning in the talent space, and combined with the competitive differentiation of our specialized services, we are optimistic about the prospects for sustainable organic revenue growth in the future.

Strategic acquisitions will continue to play a big role in our growth strategy. With 18 deals under our belt over the last decade, we have developed a competency of acquiring and integrating talent solution businesses that produce demonstratable shareholder value. With an ample deal pipeline and strong balance sheet, we are very excited about the acquisition opportunities ahead.

That ends our prepared comments. We can now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Last night, Amazon announced that they were planning on hiring 100,000 new temporary workers in the fourth quarter. If I remember correctly, that's a business that you typically partake in. Is that something that's included in your fourth-quarter guidance? And if so, which segment within revenues would that be in?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes, thanks, Jeff. Yes, definitely, that's an important account for us. And their forecast for what they are going to need in the fourth quarter is up, and we are going to be able to participate in that increase. And yes, that's in our guidance that we've given, and we'll work through that. The segment that that's in is our Staffing Services segment.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay. Great. Just wanted to double-check on that. You mentioned the $2 million, the new customer-related costs this quarter. Can you give us a little bit more color what that is? And if something like that is going to continue as an ongoing basis?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes. So when we win these bigger deals, whether they be in our outsourcing Staffing Services on these large implementations of on-sites, or most of that is related to our recruiting businesses at PeopleScout. So when we win those deals, we've got to put recruiters in place. And we've got to put that SG&A in place as part of the startup costs. And the larger the deal, the larger that startup costs.

So, there is -- it's some upfront seeding, for sure. And we've won some significant deals this year. And some cost more than others to get started, and we've got a couple underway that are going to produce great results the next five years under contract that we're going to get a good return on, so.

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

And Jeff, I'll just add a little bit more color on that one, just so you know. I mean, that $2 million of costs there, that's both some implementation costs and some co-op costs in acquiring future revenue here.

The reason we are calling that out, while we do have those as part of our ongoing model, the two items that we called out, or the $2 million that we called out today, is in excess of the normal run rate that we would have. So, we had some new customer implementations where the business in which we were doing that over on the Staffing Services side was a bit unique. So we had some extra costs that we might not normally have. And then there were some costs towards the end of the quarter, call it the back half of the quarter, in acquiring new customers, which there was not any revenue for.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. And then just some numbers-related questions. What's incorporated in your adjusted EPS guidance for gross margin, SG&A percentage and tax rate? Thanks.

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

Yes. So I'm not going to break it down that closely, but the adjusted EPS is -- one of the adjustments in there is a marginal tax rate of 40%. If we were going to talk just about the effective income tax rate, it would be pretty close to this quarter at, say 39%, something like that.

Jeff Silber - *BMO Capital Markets - Analyst*

Let me ask the question another way. Should we expect gross margin compression? Or should we expect gross margins to expand on a year-over-year basis in the fourth quarter?

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

We should be pretty close to last year, even with a little bit of revenue mix that's ticking margins down that I talked about this quarter. We do have an upturn going in some of our small to medium-sized businesses that might give us some power to get back to year-over-year flat.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. Thanks so much for your help.

Operator

Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Very nice work. I was wondering if you could update me on, let's say, the comparable growth progress of the Labor Ready brand, how you have managed to restore the emphasis on growth there?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes, you know, that's come from a combination of two things. Large accounts that we continue to get better on in that brand, where we are winning those as national deals with very large accounts. And then we have implementation plans and guides that that gets implemented out in the field.

And so, about half that growth is coming -- continuing to come from that -- which has been a pretty good grower over the years. Two years ago, it was really pulling us forward and it got flat there for about four or five quarters. It may have been economic downturn or just a lull in how that went forward. So, what's nice is we won some big deals and some of these accounts are going forward again, and the implementation is good.

The real exciting part is the onesie-twosie business in the local markets is really strong right now, and that's providing a good chunk of that growth there. So, seeing that Labor Ready business exceed 5%, 6% growth and head towards double-digits is a pretty exciting time for us, since it's been six, seven quarters since we've seen that kind of activity.

And we're often -- that brand for us and that service line in general labor and on-demand, it's often the first to see some economic trouble, and maybe that's what we've been working through the last six or seven quarters. And we've sure liked what we've seen the last eight or 10 weeks. So, actually maybe even a bit longer than that, 12 or 14 weeks of pretty exciting trends and upturn there.

So, it just comes from a lot of blocking and tackling, and doing the basics out in the field and being staffed right, to make sure that those sales teams, those operating teams, can execute. And it's just finding everything clicking all at once, and it's really nice. So, thanks for that acknowledgment, Randy.

Randy Reece - *Avondale Partners - Analyst*

It does seem like you have a higher mix of local staffing business still, even with your growth in the national accounts, that you have a higher mix of the locals business than some of the other staffing competitors you have. Do you find that anybody else is trying to turn more attention to the SMB market? Or is that a difficult thing for them to do structurally?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Well, yes. We have 700 local branches and we are proud of those branches. Those branches work on a localized basis. And a big chunk of their revenue, probably 75% of their revenue, comes from what their own efforts in that -- their own little area, that maybe 20%, 25% comes from a national account standpoint.

So, yes, we have something pretty unique there. And we are introducing technology that allows us to penetrate that further. There are competitors that are coming along and trying to figure out how to do the onesie-twosie business in the marketplace. Yes, building that branch structure and the way that we have it is -- we've got a great headstart there. And we've got great teams with good tenure that are growing.

So, we just have to keep everybody marching to the right beat of the drum there to make sure that that works well every quarter. And we think that we have that.

Now, we've gotten into the large business, like you've mentioned some others are already there. And our Staff Management business is doing great on that on-site centralized big account business. We are doing very well there also. So, having a mix of capability to serve large on-sites and have the right team in the marketplace delivering on the smaller accounts is a pretty special blend that we feel like we've got working well together now.

Randy Reece - *Avondale Partners - Analyst*

What we've been picking up from the marketplace is, in the blue-collar labor categories, some increased competition for labor, even at a time when you see some layoffs in certain industries. Do you think that those conditions are, let's say, present throughout the country? Or just localized to certain markets?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Well, there are certain industries more than certain markets that are continuing to suffer and that might make that geography balance. So manufacturing is still not a category that's growing well. And, as you know -- and we've, over the last three or four years, our largest surprise and pain-point has been getting the new housing -- or getting the residential construction growing. And we have some of that moving this summer, and we are enjoying that.

But back to your question -- why are some people still laying off and others growing? There is a shift of the distribution business is growing, and the -- those that run great distribution facilities are continuing to grow. And so goods are still being shipped and moved. Those that are manufacturing aren't doing so well.

And we've -- most of our manufacturing business that has done well has been in the food category. But outside of that, it's been a bit tough. So, it's a bit industry which then would leave yourself to geographies, based on where they are located.

Randy Reece - *Avondale Partners - Analyst*

Thank you very much.

Operator

(Operator Instructions) Paul Ginocchio, Deutsche Bank.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thanks for taking my question. Obviously, revenue growth much better than I feared going into the quarter. Congratulations. Hey, Derrek, you want to just maybe disaggregate that 7 point acceleration that just occurred? Is it mainly construction, SMB and green energy? How would you -- what would be the biggest three factors driving the organic growth, if you can break it out? Thank you.

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

Yes, this is one where it's been so broad-based, Paul. It's some of the most broad-based revenue acceleration I can remember in my 10 years as a CFO here, outside of a recessionary type of recovery. That said, though, I think maybe one call-out here is that our green energy and industrial practice did return to growth. And that growth added a little over 2 points to the blended growth of the Company. So at 6%, call it organic growth, ex-that.

However, keep in mind -- I'd just remind everybody that our guidance is still 8% for Q4 this year comparable to what we turned in this quarter. And that's because of the -- really the acceleration in the small and medium-sized business really picking up. And we don't expect energy -- green energy to be growing at that same rate into Q4.

Paul Ginocchio - *Deutsche Bank - Analyst*

Great. And I guess the only -- we are seeing a lot of the macro data, or at least I was looking at a lot of macro data that suggests maybe not as good of growth into the fourth quarter. I guess the only place you are really seeing it -- is that in manufacturing, when you talked about the export? There's nothing else really where you are seeing softness, is that correct?

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

Yes, that's right. Really if you go down all our industry verticals, they accelerated -- well, really all down every one of them with the exception of our manufacturing. Still down, you know 7%, 8%, kind of consistent with what we were the quarter before Q2. But all industry verticals really up and doing quite well.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thank you.

Operator

(Operator Instructions) Greg Mendez, Robert W. Baird.

Greg Mendez - *Robert W. Baird & Company, Inc. - Analyst*

This is Greg calling in for Mark. I was just wondering if you could provide a little bit more color around the RPO new deal wins in the pipeline? It sounds really great. Just wondering if, one, there's a -- you are seeing concentration or demand to specific verticals or geographies? And additionally, what is the -- if you can remind us just the implementation timeline of when you see that revenue from the recent wins beginning to flow in?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes. So, in that RPO space -- no, it's not any specific vertical. We serve transportation companies; airlines are big; banks are big. We are serving now some distribution and a little bit of manufacturing, some retail space. So it's really across the board of industries that we are serving, which is nice.

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We've heard it before but it's true -- there's a war for talent and companies are needing help in specifics of how to get to it. And these are very strategic sales. When we sell an RPO engagement, they are usually large. They are going to be for -- I mean, we'll take on 1,000 hires a year, but on average, there are going to be 5,000 hires or so, upwards to 10,000, even above that -- 1,000 people per year; 5,000 to 10,000 people per year.

So a couple of these new big deals we've won are in that category -- the 5,000-plus -- and distributed across a large geography. So, if -- when that's the case, we have to put recruiters in many locations.

This deal, and one of the reasons it's a bit unusual and why we didn't have it forecast right, is the implementation is a bit different than we had anticipated. And that is it's the first time they've ever had an RPO. And actually, the HR Department wasn't doing the recruiting, and the recruiting was done across very broad geographies. And so we've had to come in and build teams from the ground up, and get things moving and show the organization how to interact with us.

Those are the longest startups we have. Sometimes when we have a takeaway deal, those start up quickly, and we are in and the other one's out, and the revenue matches the speed of onset of the cost. And those are pretty clean and those are projectable. And this one is just abnormal. As Derrek said, this one is just not -- a couple of these are just not normal. And that's why we're calling it out that they are going to be a little chunky.

But they are going to be long-term deals. And we are going to get embedded into these accounts and we're going to hang on to them. We don't lose accounts like this once we get embedded. So there's some big investments upfront but well worth it.

Greg Mendez - *Robert W. Baird & Company, Inc. - Analyst*

How much longer would the implementation take then, given that these are slightly different?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes, on one of them, we are probably only halfway through. And there could be another $500,000 -- $750,000 spent this quarter before we really recognize the revenue on that. So, we'll call this out as we see these, but we've got these forecasts now. So the fourth-quarter forecast accounts are what we currently see.

Greg Mendez - *Robert W. Baird & Company, Inc. - Analyst*

Okay, great. And then the on-premise business sounds like it's doing really great. Could you give some color around how it's doing, ex the largest customer there?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes. It's -- that larger customer is helping out, but it's growing about the same as our branch-based business. You know, the -- about where the average growth is; peel off a couple points for the large accounts, but we are seeing nice growth in our branch-based and our on-site business, on-premise business. So that's exciting for us to see that. And then to get a little help from a handful of large accounts also is pretty nice right now.

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

Yes, that on-premise business grew mid-teens -- 16%. And, as Steve mentioned, if we strip out our largest customer growth in that line of business, was 8%, identical to what the [whole] Company blended average growth rate of 8% was for the quarter.

Greg Mendez - *Robert W. Baird & Company, Inc. - Analyst*

All right, great. That's perfect. Thanks a lot.

Operator

Sara Gubins, Merrill Lynch.

Brent Walsh - *BofA Merrill Lynch - Analyst*

This is Brent filling in for Sara. Really nice revenue results. And when you're looking at 3Q and your 4Q guidance, it really suggests that you are outperforming broader staffing trends that you are seeing in BLS and ASA. And maybe can you talk a little bit about what's driving this? Is this new client wins or growth within the existing customer base?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes. So, the BLS is -- that number is a broad-based number that is including clerical, healthcare, IT. It's including lots of data in there. And we surely correlate with that over time but it doesn't correlate well on any given day or any given month. Part of that might be the nature of blue-collar assignments versus some more white-collar, more professional positions.

As I mentioned a little earlier on this call, economic periods come and go, and we've been in a very expanded period of growth, but it hasn't been robust growth. And so it hasn't taken much of a head-fake to cause economic conditions to fall off and then start back up. The first quarter of 2014, the first quarter of 2015, were economically pretty challenged.

And so those periods of time cause blue-collar and these other positions to vary. So, you are asking a great question. We challenge it every quarter, every month actually, as we are looking at this and try to make sense of it. But what we can do is look at our own results and our own performances branch by branch, salesperson by salesperson, industry by industry.

And the news that we've talked about here today is we are seeing some pretty broad-based growth here. So, that's nice, and it's not all hanging on one customer or one industry. So the sustainability of this right now, as Derrek mentioned a few minutes ago, feels as strong as we've seen for quite some time because of the broad-based nature of what we are working with here.

You know, we've been pretty open with you over times when it's been driven by one customer or one industry. And to find ourselves in the situation where now, we are seeing great sustained growth across most geographies and industries is pretty exciting. But that doesn't help with the analysis of how does this relate to the BLS numbers that we see? Sometimes we're getting beat and now we are going to beat it. So that's just where we are right now.

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

Yes, Brent. I think Steve laid out some nice color around that whole topic of the growth, the BLS and some of the strategic causes of the revenue growth. If we maybe break it down one more layer, because I know there's -- everyone is still trying to assimilate what's going on that's really driving the revenue growth as far as operational items we put in place.

Steve hit it really well here on the national sales piece. Our team has done a fantastic job here, both from a service and implementation perspective. Service meaning put in more robust plans around customer implementations. That's very important for us, because on those implementations, many of our national sales, part of the sale is getting us in the door, but they'd still have to be sold locally.

So these more robust implementations is a coordinated effort across our branch network, letting everybody know about the new customer, what their needs are, so that all of our branches better understand that. And likewise, on -- around the service, once those are set up, more robust process to understand whether we are really delivering from a service perspective, and if not, creating more urgency around that.

And second, we are getting a lot more coordination amongst our branches and go to market between the different brands. That's helping. We're maybe converting a little bit more revenue that maybe we were leaving on the table that was available.

Third, we put in a revenue dashboard as we were starting in the second quarter. It's one of the adjustments we've made from -- not just from a data perspective, but in the go-to-market strategy. And that has really increased the accountability. It's a cloud-based tool that lets everybody -- all reporting on revenue, trends and from a weekly perspective by branch, area, industry, pretty much anything you want. And that has really increased the quality of conversations we are having weekly about not just revenue trends but what's going on with the customers behind that.

And maybe lastly, just a redistribution of resources. We've moved some resources around in the field. We felt that we had some markets where we had more opportunity on the table but didn't have the right number of sales folks. Some markets where we were short on recruiting and added recruiters over into those locations, and frankly, some areas where our branches, because of the consolidations that we did over the last couple of years, where the volumes in relation to the headcount there was, the headcount was just too low. So, there was enough headcount to service that volume base but maybe not enough to actually go and grow it.

So we are still at a headcount level right now comparable to where we were in the prior year, but we had reduced some headcount coming out of the third quarter last year, changed our go-to-market strategies and approaches, which we've talked about here, and redistributed that headcount. And I think it's making a difference.

Brent Walsh - *BofA Merrill Lynch - Analyst*

Great. Thank you. That's really helpful. And I guess this is what is contributing to your optimism heading into October. Because it seemed like you were suggesting you were getting some acceleration. And I mean, are there any specific segments that you are seeing faster improvement? Or more -- stronger improvement or acceleration into October relative to 3Q?

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

I think probably the one callout that we'd make here is, if you had to pick one because of the main thing sort of regarding the acceleration, it's the trends in our small to medium-sized business. That really started to heat up more towards the back end of the quarter. We'll call it the last month. And that momentum has stayed strong going into October.

And that's a big deal for us, particularly from a sustainability perspective. Because that group probably makes up, let's call it about 40% of the total company revenue and over half of the gross profit dollars. So that's a very meaningful movement forward for us.

Brent Walsh - *BofA Merrill Lynch - Analyst*

Great. Thank you very much.

Operator

Ladies and gentlemen, thank you all for your questions. We will now turn the call over to Mr. Steve Cooper for closing remarks.

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes. We appreciate your time here today and your questions, and look forward to updating you as we continue through the fourth-quarter. Thank you and have a great day.

Operator

Ladies and gentlemen, thank you. That concludes today's conference call. You may now disconnect. And everyone have a great day.
