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TrueBlue, Inc. (TBI)

Q2 2019 Earnings Call

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A. Patrick Beharelle
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Henry Sou Chien
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Mark S. Marcon
Analyst, Robert W. Baird & Co., Inc.

MANAGEMENT DISCUSSION SECTION

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

Derrek Gafford, CFO, you may begin your conference.

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

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

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

We use non-GAAP measures when presenting our financial results. We encourage you to review the non-GAAP reconciliations in today's earnings release, or at trueblue.com under the investor relations section, for a complete understanding of these terms and their purpose.

Any comparisons made today are based on a comparison to the same period in the prior year, unless otherwise stated. Lastly, we will be providing a copy of our prepared remarks on our website at the conclusion of today's call, and a full transcript and audio replay will also be available soon after the call.

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

A. Patrick Beharelle

Director & Chief Executive Officer, TrueBlue, Inc.

Thank you, Derrek, and welcome everyone to today's call. We appreciate you joining us. During the second quarter, we experienced a slower pace of demand, attributable to lower volumes within the businesses of our clients. Total revenue was down 4% versus prior year, which was down from flat growth in Q1. While the revenue environment was challenging, I'm pleased that we were able to effectively manage costs, resulting in net income and earnings per share growth, as well as adjusted EBITDA margin expansion. We generated adjusted earnings per share of $0.64, up 12% from the prior period, and expanded adjusted EBITDA margins by 30 basis points.

We also continue to make progress on our digital initiatives designed to drive long-term growth. Consistent with our goal of returning capital to shareholders to enhance returns, we repurchased another $4 million worth of shares, and still have $49 million remaining under our current buyback authorization.

Now, I'd like to take a few minutes to update you on the financial results and strategic initiatives within each of our segments, starting with our largest segment, PeopleReady. PeopleReady is the leading provider of on-demand labor and skilled trades in the North American industrial staffing market and represents 62% of trailing 12-month total company revenue, and 58% of segment profit. PeopleReady's revenue was down 2% during the quarter due to lower same-client demand, as many reported lower volumes within their own businesses.

It's important to note, that we don't sense any reluctance on the part of our clients to use our services. Rather, our clients themselves tell us that their own businesses have slowed. Consistent with our focus on effectively managing costs across the business, we have trimmed some operational costs within PeopleReady, but at the same time we are also making strategic investments for growth. As an example, we recently launched a new PeopleReady client experience team. This is a team of seasoned operational and sales leaders who are dedicated to four key client touch-points: one, on-boarding new clients and ensuring success in the critical early days, two, proactively reaching out to clients with declining volumes, three, enhancing our client satisfaction assessments and follow-up capabilities and, four, helping our clients move up the curve in terms of JobStack usage.

As many of you know, our digital transformation via our JobStack mobile app is one of the most important strategic initiatives within PeopleReady. Our JobStack mobile app is transforming the way we do business. Over the past several quarters, we've seen disproportionately high revenue growth from clients that are heavy users of JobStack. We've been working hard to build the critical mass we need within the app, and we're very pleased with the progress we've made on this front. We deployed more than 980,000 shifts via JobStack during the quarter, representing a digital fill rate of 43%, up from approximately 30% as recently as the fourth quarter of 2018. Our goal of dispatching 4.5 million shifts in 2019, or one worker every seven seconds, remains in reach. Associate adoption is now north of 85% and we have approximately 17,000 clients using the app, up from 13,000 in December.

Now that we have critical mass, the next turn of the crank is to leverage JobStack with key operational initiatives, like the client experience team I just described, to drive financial results.

Turning to our next segment, PeopleManagement provides on-site workforce solutions in the North American industrial staffing market that offer compelling value and are a perfect fit for larger clients with longer-duration strategic needs for contingent workers. This business represents 27% of trailing 12-month total company revenue and 12% of segment profit. Revenue was down 14%. Roughly half of this decline is due to previously disclosed headwinds, namely the loss of Amazon's Canadian business, and volume and price reductions at another retail client. The remainder is due to the slowing business conditions experienced by our clients that I mentioned earlier.

Once again, our focus remains consistent. Specifically, we look to add new on-site client engagements, and I'm pleased to report positive progress on new logo wins. On a year-to-date basis, we've secured $48 million in annualized new business wins, representing a 49% increase over the same period last year. Many of these new wins are in the early stages of implementation and ramp up.

Turning to our last segment, PeopleScout is the global leader in filling permanent positions through our recruitment process outsourcing and managed service provider offerings and represents 11% of trailing 12-months total company revenue and 30% of segment profit. Revenue was up 13% overall, but was down 4% on an organic basis, which was again primarily due to lower volume within existing clients.

Despite some recent choppiness in client hiring volumes, we feel we're getting good traction with our service offerings. During Q2, PeopleScout was recognized by several third parties, including being selected as the number one ranked MSP provider worldwide by HRO Today, recognized by Everest Group as an RPO Star Performer and Leader on its Matrix Assessment, and recognized by Nelson Hall as a leader in every RPO category it evaluates.

Another accolade we are particularly proud of is PeopleScout's recognition by the Military Times in its Best for Veteran Employer ranking. Our strategy for PeopleScout is unchanged and is aimed at capitalizing on our leadership position in the North American RPO market to expand our global capabilities.

Affinix is our proprietary, next-generation HR tool that is already improving our ability to compete in the marketplace. For example, in several recent winning sales pursuits, RPO buyers shared with us that Affinix was a clear differentiator and a key reason for PeopleScout being selected. Moreover, clients fully implemented on Affinix are experiencing improved time to fill, candidate flow, and candidate satisfaction. In short, Affinix is helping us win in the marketplace because our clients see the tangible improvements in the candidate hiring process.

Q2 marks the one-year anniversary of our acquisition of TMP Holdings in the UK, which helped bolster PeopleScout's position as the number one global provider of RPO services, by enhancing our ability to compete for multi-continent engagements. We're pleased to report that TMP revenue and profit came in better than expected, and we're making progress on enhancing our execution capabilities for multi-continent deals. We're excited about the prospects for this business going forward.

As it happens, Q2 also marks the five-year anniversary of our acquisition of Seaton, which included the Staff Management brand within PeopleManagment and the legacy PeopleScout business. The Seaton acquisition diversified the company's human capital portfolio, providing a strategic point of entry into the higher-growth, higher-margin RPO business. PeopleScout now accounts for 30% of TrueBlue's segment profit and has achieved a five-year segment profit compounded annual growth rate of 29%.

Summarizing our performance, we're executing on our three primary initiatives of putting our segments on a path toward sustainable growth, managing our costs to enhance profitability and leveraging excess free cash flow to return capital to shareholders. These sharp areas of focus along with our strategic use of technology which is something that our clients are embracing regardless of the ebbs and flows of their own businesses will help us capture the many opportunities ahead in the changing world of work.

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 of $589 million was below our $606 million to $623 million outlook. Revenue was down 4% for the quarter which was a decrease from flat growth in Q1 2019 primarily due to less same customer revenue attributable to lower volumes within our customers' businesses.

The most prominent change in the revenue trend occurred within the PeopleReady business which experienced a 2% decline in Q2 versus growth of 3% in Q1. Revenue was up 3% during the first two week period of Q2 and after normalizing for the timing shift of Easter week three of the quarter was flat. Revenue did not rebound in the fourth week and remained in decline throughout the quarter culminating in a June exit rate to the quarter of negative 3%. A slowing pace of demand in our consolidated results was most evident within industries associated with physical goods.

For example compared to the year-over-year trend in Q1, the year over year trend in Q2 decelerated by 10 percentage points in manufacturing by 6 percentage points in retail and by 4 percentage points in transportation. Net income per diluted share of $0.49 exceeded the high end of our $0.39 to $0.46 outlook and adjusted net income per diluted share of $0.64 exceeded the high end of our $0.55 to $0.62 outlook.

EPS and adjusted EPS were up 11% and 12% respectively,on top of strong EPS and adjusted EPS growth in Q2 last year of 42% and 36% respectively.

Outperformance was driven by a variety of actions to scale our costs to the level of demand as well as reductions to incentive program costs given the current revenue trends. The effective income tax rate for the quarter of 11% was below our 14% expected rate due to additional Work Opportunity Tax Credits. Gross margin of 26.9% was down 10 basis points compared to Q2 2018 primarily due to the acquisition of TMP which carries a lower gross margin.

SG&A expense was down $7 million or $9 million excluding the acquired operating costs of TMP due to the cost management actions discussed earlier. Adjusted EBITDA of $33.5 million was flat compared to Q2 2018 and the related margin was up 30 basis points primarily due to SG&A cost reductions. Last quarter we discussed some revenue and segment profit headwinds within our PeopleScout business associated with the re-pricing of an account to reflect a multi-year arrangement and the loss of a client that had been acquired by a strategic buyer.

Similarly in our PeopleManagement business, we discussed the transition of a customer from our SIMOS business to our Staff Management business and the diminishing impact of the lost Amazon account. This quarter these items suppressed total company revenue by $15 million and adjusted EBITDA by $4 million.

Turning to our segments, PeopleReady revenue was down 2% versus 3% growth in Q1. The slower pace of demand was evident across most geographies, but more concentrated within industry verticals associated with physical goods as discussed earlier. Segment profit was down 6% driven by lower revenue.

PeopleManagement revenue was down 14%, which was below our expectation of a decline of roughly 9%. Of the 14% decline, 7 percentage points came from the previously disclosed customer headwinds mentioned a few moments ago and the remainder from slowing same customer demand most of which was not anticipated in our outlook.

Segment profit was down 12%, which includes $1 million or approximately 29 percentage points of decline from the headwinds previously discussed. PeopleScout revenue was up 13%, down from growth of 26% in Q1 this year, primarily due to the customer headwinds discussed earlier. Segment profit was down 1% and segment margin was down 250 basis points. The decline in segment profit is primarily associated with the previously disclosed headwinds and the decline in margin is primarily due to the acquired TMP business as a result of the pass-through nature of recruitment media purchases on behalf of certain clients.

On a sequential basis, segment margin was up 160 basis points in comparison with Q1 this year due to cost management actions. In June, we anniversaried the TMP acquisition and are pleased to report a smooth integration including the retention of all key clients and personnel. We also exceeded year-one revenue and segment profit performance targets by $5 million and $1 million respectively. Year to date cash flow from operations totaled $37 million and capital expenditures were $11 million, netting to free cash flow of $26 million. We made great progress on reducing working capital across multiple areas including a two day improvement in days sales outstanding and the overall strength of our balance sheet continues to improve.

Total debt of $25 million is down from $80 million at the end of 2018 and our debt to capital ratio was 4%. On a trailing 12 month basis our total debt to adjusted EBITDA multiple stands at 0.2. Returning capital to boost shareholder returns is an important part of our strategy. Accordingly, $9 million of stock has been repurchased this year representing 35% of year to date free cash flow, which is consistent in proportion to the prior year period. $49 million remains under our current authorization.

Turning to our outlook for the third quarter of 2019, we expect a revenue range of minus 10% to the minus 6%. The midpoint of the range is about 2 percentage points lower than the 6% organic decline posted in Q2 this year as a result of PeopleReady revenue trends in July running softer than the trend in Q2. We expect net income per share of $0.50 to $0.60 or $0.61 to $0.71 on an adjusted basis which assumes a share count of 39.4 million and an effective tax rate of 14%.

The range for adjusted EPS suggests a year over year decline of 16% which is less than the growth of 12% in Q2 this year due to an incrementally larger revenue decline in the PeopleReady business in Q3, an additional $2 million of previously disclosed client headwinds in Q3 as well as lower workers' compensation expense in Q3 last year. We believe there is a changing pace of underlying economic activity in some of the industries we serve.

Our belief is based on our same customer revenue trends and the recent step down in demand for our PeopleReady services. Given the project based nature of PeopleReady's business, it is an early indicator of changing demand patterns in our opinion. We have an experienced team that understands how to manage through these times with focused execution and by balancing the need to exercise disciplined cost management while investing in growth such as our digital strategies and the new client experience team at PeopleReady.

Our balance sheet is in superior shape providing us with increased financial flexibility, which includes our interest in returning capital to shareholders through share repurchases. Additional information on our outlook for the third quarter and certain annual assumptions can be found in today's earnings release deck.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from John Healy with Northcoast Research. Your line is open.

John Healy
Analyst, Northcoast Research Partners LLC

Q

Hi. Thank you. Guys, I wanted to just talk about the big picture theme, I appreciate your comments about the sector and kind of the broader changes in activity your customers are presenting to you. From your perspective, what is the decision making process, I mean, how long do you look at the activity in your customers and say, okay something meaningful has changed here, we need to react in our business. Can you help us understand those kind of how you assess the vitals of your customers and then ultimately how you assess the vitals in your business and how long you will – want to see some softness before you'd take broader cost actions in the business?

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

A

Yeah. Thanks for the question John, this is Patrick. It's a couple of comments first, one of the things that Derrek mentioned is that the – in his prepared remarks the softness was fairly widespread. If you look at just from the June exit rate into kind of what we're seeing in July, it's pretty widespread, our eight largest states are all softer. Our verticals are a little bit mixed, manufacturing, retail, transportation are all down, construction has gotten a little softer, hospitality is doing pretty well for us. And as you know our business, particularly in PeopleReady [ph] tilts (00:20:43) more heavy into projects than most staffing providers.

And what we're hearing from our clients anecdotally is that projects are being pushed out a bit particularly in construction, in solar. We're also hearing from our clients about some inventory build ups particularly in auto and consumer packaged goods and these build ups lead to some softness in labor demand and we saw that in Q2 and we're seeing that in July. In terms of when do we take cost actions, we certainly look at it two ways John, the first is where should we make more investments, and where should we make cuts. And so what we were doing is we were watching very closely in Q2, the revenue trends in the business and we decided to make some investments in sales and marketing.

As I've mentioned in my prepared remarks, we stood up a team, a team that's focused on client experience and making sure we have a good onboarding experience for our clients and then assessing our existing client satisfaction levels and putting them on a marketing journey. If they're satisfied client, it's a sales and marketing journey that's focused on expansion. If they're a client that's having some challenges, we're in rapid recovery mode.

So we're making some investments to help drive additional revenue given the softness that we're seeing. And then from a cost cutting perspective, right now, we're pretty hesitant to make any cuts in the area of sales and marketing. But we have made some cuts in other areas of the business particularly stuff that's not client facing or candidate facing. And so we made some of those actions in Q2, so we've already started some of that process to make sure that we've got a cost structure that aligns with the revenue stream that we have.

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

A

Hey, John. This is Derrek. I'm just going to jump in and add just a little additional color on the question related to cost cuts. At this point in time we don't think we need to do more than we're doing right now and what I mean by that is that the SG&A decline that we delivered this quarter was at the same pace of the revenue decline and our outlook for Q3 has a similar trend built into it to match the revenue trend. Doing something broader or bigger at this point in time we think would be premature. This cycle, this very long cycle that we have been in has had starts and it has had slow points and this could very well be a slow point.

We want to keep that part in mind. But our intention is to continue to manage the level of the cost in the business, to scale it to where our revenue is. If this was ever to develop into something bigger and a longer slowdown we would – on those cost actions we would take more and likely if revenue decline continued to decelerate, pick up more steam then the cost would – the percentage of decrease in the cost would trail that revenue as it would in another periods, but that's how we're looking at it right now. So we're going to stay disciplined on this, manage quarter to quarter, not jump too far ahead and overreact but make sure we're taking the right actions based on what we're seeing at any given point in time.

John Healy
Analyst, Northcoast Research Partners LLC

Q

Understood. And I think, Patrick you mentioned that there was $49 million of new business wins or new account wins on the solutions side. How should we think about that business and maybe some of the incremental revenues that you guys are bringing on board, from a timing perspective, how that might be coming together and then ultimately with that [indiscernible] (00:24:31) kind of the incremental margin we should expect on those revenues kind of, as they ramp up?

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

A

Yeah. Appreciate the question. We've made a lot of progress in the PeopleManagement business from a sales execution perspective. We brought in some new leadership last year to help support the sales efforts in PeopleManagement. And as you know, the sales cycles are fairly long in that business and so we're just starting to see the fruits of some of those changes that we made last year. As you rightly pointed out, we're running at a pretty good clip relative to what we had done in the prior year in terms of new wins. One of the things that we've seen though that's been a little bit of a challenge in terms of ramping is a number of those wins, clients have come to us and said, gosh we don't want to do a big bang and bring in 200 people, 300 people, 400 people all at once. And so what normally would take a couple of months to see a ramp up, it's now taking closer to six months or seven months for a full ramp.

So I'll give you an example just to bring it to life. We recently sold a deal at an industrial laundry facility and they had a need for 250 people. And we were taking the scope away from a couple of incumbents and the client had said to us gosh, we don't want to have a huge impact on productivity. We've got a lot of folks that have been here a long time and the contracts that they had with those incumbents didn't allow for a transfer of the workforce. And so what we're doing is we're replacing those workers at a rate of about 30 a month as opposed to what we oftentimes have done is a workforce transfer or a bigger bang swap out of workers and so the deals that we've won are going to be really helpful to us in Q4 and in 2020, a little bit helpful in Q3, but we'll really start to see the impact of the wins in PeopleManagement in Q4 and 2020 and beyond.

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

Hey, John, just to add a little more color on to the incremental and the pace of how that revenue will come on. That $48 million of new wins that Patrick talked about that breaks down to about $12 million a quarter. In our outlook for the third quarter we've got about half of that built in, so, call it, $6 million. So there's room for approximately another $6 million of step up in run rate from those two wins. And we'd expect the incremental on that to be in the neighborhood of 7%, maybe a little south of that during the first quarter of an implementation, if it's sizable.

As Patrick mentioned, many of these are slower transitions that are coming on and they're not necessarily first generation accounts, so the implementation timing of the cost and the timing will be small and short.

John Healy
Analyst, Northcoast Research Partners LLC
Q

Okay. Thank you, guys.

Operator: Your next question comes from Henry Chien with BMO. Your line is open.

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

Hey, Patrick. Hey, Derrek. One of the things you mentioned was you think there is a sort of fundamental change, I was wondering if you could expand on what you mean by that? At least in the...

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

Yeah.

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

...hard and physical good industries I mean.

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

Well, we're not economists here, but we can just kind of comment on what we're seeing from clients. So in our PeopleManagement business which is heavily focused on manufacturing as well as logistics and more focused on Fortune 500 companies, we saw a clear step down in the pace of the demand for our services with those clients compared to where they had been running at before. And with that, business because it's more concentrated with customers, we can spend more time understanding what's going on there. And the most common reply back from those businesses was that volumes in their own businesses were down.

When we go over to the PeopleReady business, there's – and I talked about in my prepared comments, we started out the quarter at 3% growth and we ended the quarter at minus 3%. And we didn't implement anything new. We didn't make any leadership changes, I mean we just didn't have any changes going on in the method of how we were delivering our services. And as we went into the third quarter we also saw a bit of a step down as well.

So just from our experience when we see those types of step downs particularly in PeopleReady, which because of the project based nature of the work and the short duration of the jobs and the job assignments, we tend to – in our opinion that's one of the businesses in human capital that will – [ph] it's mostly on the (00:29:30) the margin for buyer preferences and changes in their preferences and we think it's the one that will see changes in demand patterns, first.

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

Q

Got it. Okay. That makes sense. Yeah, that's quite a big step change intra-quarter. And then on PeopleScout just, I mean beyond the lost client, what's going on there in terms of some of the weakness or I should say some of the declines in growth there?

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

A

Yeah. Great question, Henry. We're definitely seeing some softness similar to what we're seeing in some of the temporary staffing businesses, where volumes of our existing clients are down. It's fairly widespread across a number of different industries, different skill categories. It's not an issue where we can fill the positions, it's a situation where the order volumes are just coming in lighter than what we had seen. And as I mentioned on previous calls, we did have those two headwinds that we've got, one is where we were on the wrong side of an acquisition that we'd previously disclosed. And then we had another client where we had renegotiated the arrangement into a longer term arrangement and gave some price concessions there, which had an impact on our revenue.

That particular client has also seen some pretty significant volume declines as well. So it's not a situation where we've got a number of lost clients other than the one we've disclosed. It's more of a volume at our existing client base, that's been the biggest headwind.

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

Q

Yeah. Okay. Thanks, guys.

Operator: [Operator Instructions] Your next question comes from Mark Marcon with Baird. Your line is open.

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

Q

Good afternoon, Patrick and Derrek. Did you – for PeopleReady were you down 5% in July [ph] or that way it's (00:31:36) trending?

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

A

We're running about 6% down in July, Mark.

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

Q

Okay. And then can you give – you gave the monthly color for PeopleReady intra-quarter and then into non-July. Can you talk about that on PeopleScout as well as PeopleManagement?

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

A

Well, let me give you the consolidated trends. PeopleScout – let me give you the consolidated trends, first. So July was down minus 4%. Remember that we had Easter that was down the third week at 9%, if you normalize it, it would have been flat really without the Easter holiday and then the following week was down 7%, that's what contributed to that.

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

A

I think you meant April, not July.

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

A

Oh, excuse me, at April, yeah. Thanks, Patrick. And then May was down 3% and June was down 5%. The PeopleManagement trend was really very consistent months-to-months, really very close to the 14% for the quarter. And PeopleScout was down 12% in April, up 4% in May and up 9% in June. I just won't read too much into the RPO trends, they're lumpy by nature sometimes, some job orders come in or they don't get filled, they get pushed to the next month and it's a small population, so I won't read too much into the monthly RPO trends.

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

Q

Okay. And can you talk a little bit about the pay bill trends that you're seeing and specifically, how we should think about the bill rate increases relative to volume?

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

A

Yeah. Bill rates for us in Q2 were up 2% and pay rates were up 1%. Some of that is some noise that we have going on in our – some of these headwinds that we talked about that treat some mix issues. But if we go to where the biggest driver is, it's in our PeopleReady business, which is the purest of all those, bill rates, we're up about 3% and pay rates, we're up about 1.5%.

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

Q

Do you think you're being impacted by rising minimum wage rates and potentially roughening demand on some of the folks that you would typically end up placing within PeopleReady or is that an issue at all?

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

A

Well, there's possibility that it could be something on a larger period besides the quarter. As we went into Q2, there weren't any minimum wage increases that went into play. So the trends that we saw in Q2, when it pertains to PeopleReady, there just wasn't anything new there to drive a fundamental change from a minimum wage perspective.

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

Q

Got it. And with regards, you mentioned construction was also softer. Did it actually decline year-over-year or was it just a lessening in the trend?

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

A

Well, there's two parts of the story with construction, because while construction has not been a big grower for ours over the last three quarters, it has been very stable. And so what I'm talking about here is it being flat to may be up 2% depending on which quarter you picked whether it was Q4 last year or Q1 this year or Q2 this year. Now when we – that the deceleration in the PeopleReady trend that we saw going into July that was primarily in the PeopleReady business. So what we – what usually happens in our PeopleReady business is, if we take the last couple of weeks of June and then we look to the second and third week of July, I'm holding off on the first week, because of the holidays in there [ph] in (00:35:49) July 4.

When you take a look at the second and third week of July and our business are weekly [ph] revenue trends, it should be (00:35:53) stepping up, when I say trends, I'm talking about the dollar amount of revenue that we're doing, because as we get into the warmer months, the construction part of our business becomes a greater piece of the mix. In the construction business, we were seeing lighter step ups as we went in to July. So the difference between that minus 3% exit rate that we had coming out of June for the quarter and the trends that I mentioned at minus 6% for PeopleReady during July, that is kind of the main thing as we're seeing the softness primarily coming in the area of construction.

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

Q

Great. I really appreciate the granular color. I'll follow up a little bit more offline.

Operator: [Operator Instructions] Mr. Beharelle, would you like me to hold the line open for another moment.

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

I think, just another moment.

Operator: We have no further questions at this time.

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

Well, thank you and I appreciate you all listening in on our second quarter earnings call, team is working real hard to try to change these trends and we'll look forward to reporting in three months. Thank you everybody.

Operator: Thank you for joining. This concludes today's conference call. You may now disconnect.