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TrueBlue, Inc. (TBI)

Q2 2022 Earnings Call

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Kartik Mehta
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Mark Steven Marcon
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the TrueBlue Second Quarter 2022 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, Executive Vice President and Chief Financial Officer, 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 joined by our President and Chief Executive Officer, Steve Cooper. Steve joined the company in 1999 and served as Chief Financial Officer and later as President before serving as CEO from 2006 to 2018. He was also Chairman of the Board from 2018 until recently and is now serving as the company's Chief Executive Officer. It's good to have you here, Steve.

Okay, before we begin, I want to remind everyone that today's call and slide presentation contain forward-looking statements, all of which are subject to risks and uncertainties and we assume no obligation to update or revise any forward-looking statements. These risks and uncertainties, some of which are described in today's press release and in our SEC filings, could cause actual results to differ materially from those in our forward-looking statements. We use non-GAAP measures when presenting our financial results. We encourage you to review the non-GAAP reconciliations in today's earnings release or at trueblue.com under the Investor Relations section for a complete understanding of these terms and their purpose. Any comparisons made today are based on a comparison to the same period in the prior year unless otherwise stated.

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

Steven C. Cooper

President & Chief Executive Officer, TrueBlue, Inc.

Thank you, Derrek, and welcome everyone to today's call. We have a talented management team here at TrueBlue and across all of our operating brands and we have the right strategies to position us for long-term growth. I'm impressed with the exceptional level of execution and engagement I see across our teams in providing quality workforce solutions to meet our clients' needs. Our employees possess an unwavering commitment to serve our clients and the people we put to work. It's gratifying to be part of a company that is committed to being true to our values and to ensuring our employees and partners have a vibrant workplace that is inclusive and welcoming.

Now turning to our results, I am pleased to report strong performance during the second quarter with revenue and segment profit margin growth across all three segments. PeopleReady is our largest segment, representing 58% of total trailing 12 month revenue and 57% of total segment profit. PeopleReady is a leading provider of on-demand labor and skilled trades in the North American industrial staffing market. We service our clients via a national footprint of physical branch locations supported by our JobStack mobile app. Like others, we did experience a slowdown in demand as overall commercial staffing hours declined across the industry throughout the quarter, but revenue continued to grow 6% compared to Q2 a year ago.

Our highest margin segment, PeopleScout, represents 14% of total trailing 12 month revenue and 34% of total segment profit. PeopleScout is a global leader in filling permanent positions through our recruitment process outsourcing services. PeopleScout delivered a quarter of impressive growth, with revenue up 39% compared to Q2 a year ago. Volumes at existing clients and project work at new clients drove performance as open positions are at historical levels.

Turning to our third segment, PeopleManagement represents 29% of total trailing 12 month revenue and 9% of total segment profit. PeopleManagement provides onsite, industrial staffing and commercial driver services in North America. The essence of a typical PeopleManagement engagement is supplying an outsourced workforce that involves multiyear, multimillion-dollar onsite or driver relationships. PeopleManagement delivered another quarter of growth, with revenue up 6% compared to Q2 a year ago. Demand for commercial trucking services was strong and same-site sales on our onsite business was up year-over-year.

I'd like to shift the discussion to our strategies. But before we go there, I'd like to talk about our most important priority. While the future state of the economy is on everyone's mind, it's important not to lose sight of the fact businesses are struggling to find people. And we know precisely how to help them. There are 11 million job openings in the United States, most of which are lower paid, blue-collar jobs where we specialize. Yes, demand for temporary labor has slowed recently. Businesses are taking a pause in filling some of these roles. It's understandable. We are in uncertain times and businesses are consuming all sorts of news, causing them to hesitate. While it is unclear where the economy is headed, it's not hard to see that the supply of labor, particularly for blue collar positions, is going to remain tight for some time. With a multitude of services, our brands know how to find the right talent in tight labor markets. We have decades of experience, a strong market presence across North America and talented people and technology solutions. Our number one focus is using these assets and talents to get the job done and done well for our clients.

Now let's talk about our strategies, starting with PeopleReady. At PeopleReady, a key strategy is to use digitalization to supplement our nationwide footprint to gain market share and improve the efficiency of our structure. The US temporary day labor market is highly fragmented, with the bulk of the market made up of smaller companies in the industrial staffing segment where PeopleReady competes. These smaller, more regional companies are typically not able to spend the type of investment required to deploy something like our JobStack mobile app. So this, along with our local presence, is what makes us a leading provider within the on-demand industrial staffing market. The face of our digital strategy is JobStack. The application provides a unique user experience for our associates and clients, allowing both groups to connect at any time. Since deploying the application nearly five years ago, associate adoption has grown to over 90%.

Turning to our clients, total users of the application are over 30,000, a 13% increase versus a year ago. And the percentage of placements filled through the JobStack app has grown to approximately 60%.

Turning to PeopleScout, our strategy leverages our strong brand reputation to capture opportunities in a growing industry. Companies today are confronted with historically high job openings. Our ability to hire large volumes of workers has allowed us to meet the demand for existing clients and has positioned us to capture new clients for long and short term engagements. As we move forward, we will continue to expand our product offerings to meet the growing needs of our clients in helping them source, onboard and effectively manage their employees.

Turning to PeopleManagement, our strategy is centered around operational execution and geographic expansion. Within the onsite offering, our business development activities are targeting local and underserved markets and expansion into the western part of the United States. Meanwhile, we are focused on increasing market share in the eastern part of the country with the commercial trucking business.

Finally, we are investing in customer and associate care programs to improve the service levels. Collectively, everything we do will be centered around capitalizing on demand, leading with a sales-first mentality in the areas we serve, combined with our digital capabilities. This will enable us to meet the demands of our clients and associates in a frictionless manner. These are big objectives that I believe we have the capability to meet.

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

Derrek L. Gafford

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

Thank you, Steve. Total revenue for Q2 2022 was $569 million, representing growth of 10%. This was driven by strong overall demand, as all three segments reported revenue growth this quarter. PeopleScout continued to see significant volume increases from existing clients, resulting in double-digit revenue growth, while PeopleReady and PeopleManagement revenue grew at mid-single digits. Revenue growth across all three segments, favorable bill pay spreads at PeopleReady and a higher mix of PeopleScout business drove strong bottom line results. We posted net income growth of 51% and adjusted EBITDA growth of 53%. Our net income and adjusted EBITDA margins grew 110 and 190 basis points, respectively, driven by revenue growth and gross margin expansion. Adjusted EBITDA margin expanded more than net income margin due to government subsidies received last year, which were excluded from adjusted EBITDA.

Gross margin for Q2 2022 of 27.8% was up 140 basis points. Our staffing segments contributed 100 basis points of margin expansion, driven by 60 basis points from positive spreads between bill and pay rate inflation and 40 basis points from customer mix. The remaining 40 basis points came from PeopleScout, our highest margin business as it now constitutes a higher mix of total revenue and it also benefited from operating leverage.

SG&A expense increased 10%, which was in line with revenue growth for the quarter and was the same as Q2 last year on a percentage of revenue basis. On an adjusted basis, SG&A was up 8% or 50 basis points better than Q2 last year, which was more favorable than our GAAP trend, primarily due to government subsidies received in Q2 last year, which were excluded from our adjusted results. Our effective income tax rate was 18%, which was close to our expectation and nearly the same as the rate in Q2 last year.

Turning to our segments, PeopleReady revenue increased 6% while segment profit increased 10% and segment profit margin was up 20 basis points. Bill rates grew 10.3%, which outpaced pay rate growth of 8.6%, boosting segment profit margin. Inter-quarter revenue trends were mixed. We got off to a strong start with April revenue up 11%, but we exited the quarter with 3% growth in June as clients reassessed their labor needs given the current economic climate. Revenue growth was flat during the last two weeks of the quarter and that trend remained steady in July. The declining demand occurred across most geographies and industries, with the most notable drops occurring in services and hospitality. Improving job order fill rates helped offset the decline in demand, improving by 5 points from April to June.

PeopleManagement revenue increased 6%, while segment profit increased 31% and segment profit margin was up 50 basis points. Our onsite businesses provided 2 points of revenue growth and strong demand in our commercial driving business contributed the other 4 points of growth. Monthly revenue trends were steady in the mid-single digits throughout the quarter. The segment profit margin expansion was primarily driven by favorable changes to client mix as our higher margin, cost per unit and commercial driving businesses contributed higher volumes. PeopleScout revenue increased 39% with segment profit up 90% and segment profit margin was up over 600 basis points. Demand for our services is high as clients look to fill their job openings. Operating leverage from higher sales volume contributed to the improvement in year-over-year segment profit margin.

Now, let's turn to the balance sheet and cash flows. Our balance sheet is in great shape. We finished the quarter with $32 million in cash and no outstanding debt. The business is producing strong cash flows with year-to-date cash flow from operations totaling $53 million and we returned $61 million of capital through share repurchases this year, leaving $89 million authorized.

Now, I'd like to take a moment to provide additional color on a couple forward-looking items. We are not providing customary revenue guidance, but we did want to call out that recent trends at PeopleReady imply sequential growth from Q2 to Q3 of 3% to 5% for total TrueBlue, which is lower than our historical sequential average of 9%. Also, as a reminder, in Q4 2021 and Q1 2022, we disclosed PeopleReady benefited from seasonal surges in retail project work, which are not in our run rates and not expected to reoccur. The absence of this revenue will create a three point year-over-year headwind for total TrueBlue growth in Q4. For additional details on our outlook for the third quarter and full year 2022, please see our earnings presentation filed today.

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

QUESTION AND ANSWER SECTION

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

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Thanks so much. Steve, welcome back to these calls. Good to hear you again. Let me ask you a couple of questions just early on. I know you've been around the industry a long time. You've been through a few of these recessionary fear type environments, et cetera. What lessons did you learn from going through this with the company beforehand? And is there anything that you might do differently this time if we are really heading into a downturn?

Steven C. Cooper
President & Chief Executive Officer, TrueBlue, Inc.

A

Hey, thanks, Jeff, and good to visit with you again. These economic cycles all look a little bit different for us in particular. I've been here over 20 years, 22 years, and seen a few of them and this pandemic was the worst. And the way our teams adjusted and stayed focused on what our clients needed was pretty impressive. If I had to look at the commonality between over that 22-plus-year cycle, that's the main thing. You've got to be able to keep a team focused on the clients' needs at a time when we're trying to stabilize our own business and we just have to put the client first. We put the customer first in every one of those situations, it works out well for us, and then we can trim those costs that aren't client facing and customer facing needs. So that's first and foremost is keep those objectives right there square in front of us, Jeff, each time.

Obviously, the big recession before the pandemic in 2008 was construction and credit-related, and we were highly focused on construction. Since that period of time, we've spent a lot of effort, energy on diversifying our organization, ensuring that we weren't – didn't have all the eggs in one basket like we did back in 2008 where we felt a good two thirds of the company was focused on construction. And in big states of California, Texas and Florida in particular, we remain big in those states today, but we're a little more balanced in the industries that we serve. And so we don't feel it as deeply as we felt it back then. That's the number two thing is, so first, stay focused on the customer. Second, ensuring that we're diverse in who we serve is most important.

As we head into a period of time that we've called out as our clients might be hitting pause button slightly and assessing their own situation, we're not panicking at all. We see the demand strong and it's going to remain strong that the labor markets are tight and our customers are trying to grow and stabilize their own businesses still from the effects of the pandemic. So it's most important that we understand the current one that we're in, even though you've asked a great question about reflecting back, it's super important to know they're all different and this one looks different again.

And as we've spent time as a management team the last 45 days, really talking about how we're there for our customer on the other side of this. We're not sure how long the pause button will be hit. We don't believe it's that long, meaning years upon years. This is a smaller pause for a quarter or two or three and we want to ensure that we remain strong for our client, both in recruiting full time positions and being available daily to find associates to fill their more temporary needs. So a little bit of a differences there, Jeff, but great question on what that reflection looks like.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Okay. That was helpful. And you alluded to this in your remarks, then we can get a little bit more color. On the labor supply, obviously, demand's been slowing down. I think everybody realized that. Is the labor supply getting any looser and if so, how is that impacting wage rates?

Steven C. Cooper
President & Chief Executive Officer, TrueBlue, Inc.

A

Well, definitely the last six months we've seen additions back to the labor force, maybe not as fast as we'd all like, meaning us and our customers. But there is supply coming back into the marketplace and that's been improving month by month, really going back to last fall. We've seen improvements there, but really continue it up through the summer. It's not as great as the demand, though, which I call it a good thing, because it comes right back to the heart of our business and why we exist and what we do well is in tough labor markets is when we shine best for our customer. So as far as our own personal flow of applicants, it's slightly improving still.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Okay. That's great to hear. I'll jump back in the queue. Thanks so much.

Operator: Your next question comes from the line of Kartik Mehta with Northcoast Research. Your line is open.

Kartik Mehta
Analyst, Northcoast Research Partners LLC

Q

Hey, good afternoon. Maybe a little bit of an unfair question, so I apologize, but any thoughts on maybe the trends you're seeing in PeopleReady for July? We're almost to the end of the month. And I'm wondering if the trends you saw in June continued or if there was any change.

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

A

Hi. Thanks for the question. This is Derrek. I'll take that one. We finished June at 3% growth for PeopleReady. The last two weeks of June were flat and then that trend has held steady at flat as we've moved through the month of July.

Kartik Mehta
Analyst, Northcoast Research Partners LLC

Q

And you mentioned services as being an area where you're seeing some slowing. Are there – what categories and services would you call out that maybe aren't seeing the growth that you were seeing previously?

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

A

Well, we've talked about a couple of different industries just as a point of focus that have seen some softening, but it has been really across all industry groups. So I'll just give you a little bit of perspective. I know that you're asking really about services and dropping down there a level. But if we compare Q1 to Q2 on a year-over-year basis, yeah, we saw some services. We saw that slow down, same with retail. While retail slowed, by the way, it still grew by 16% at PeopleReady. We also called out hospitality, that's slowing. That's an exceptional growth rate that we were up over 100% in Q1 and dropped down to the mid-60s. So I could go through each one of the industries. But I think the main point here is we've this is – the step down that we've seen are fairly widespread from a geographic and industry perspective. So I don't want to – I don't want to make it that it's about one industry that has impacted the demand trends.

Kartik Mehta
Analyst, Northcoast Research Partners LLC

Q

Perfect. Thank you very much. I really appreciate it.

Operator: Your next question comes from the line of Mark Marcon with Baird. Your line is open.

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

Q

Good afternoon and great to hear you again, Steve. Welcome back. I'm wondering from a strategic perspective, you're mentioning the pause button being hit. How does that end up impacting kind of the strategic plans around some of the pilot programs in terms of centralizing some of the offices in PeopleReady, the continued shift towards JobStack, how do we think about that part of the business, particularly in the back half of this year and going into next year?

Steven C. Cooper
President & Chief Executive Officer, TrueBlue, Inc.

A

Hey, Mark. Good to talk to you. Thanks for the question. The ongoing daily execution is really our challenge now because we don't want to back down on the number of teams and what we're doing and focused on helping our clients find people. So finding that balance between what does operations look like in July versus what are we going to do on these programs and change programs that we've had underway the last year or more actually. The answer is pretty easy. We're committed to these strategic ideas that we've been working on, the digital platform of which in our PeopleReady brand JobStack, remaining committed to that because of the stickiness that it builds in that relationship with our client matters so much.

The program of can we centralize some of the functions that exist in the branch network. We've been underway for a good 10 years on that program of pulling payroll out of the branch, pulling various aspects of the branch duties out. And so that's been a journey that's been happening for quite some time, of which we are not going to stop that journey. It not only reduces operating costs over time, it improves customer service ratings and how the customer views us because in those consolidated or wherever we have a chance to bring light duties into a centralized location, it's good for the business. It's good for the client.

So we're going to continue down that path. As far as the programs you've heard over the last, I don't know, three to four quarters, maybe a little bit longer of opening market centers in replacement of branches, that's definitely going to slow a bit, Mark. Our strength is the branch network and behaving locally around those local customers and the supply of labor around these local branches. And that remains really important to us. And even with a pause button, like we've mentioned being hit and you've asked about, it's no time to pull back on that strength of that asset and it's no time to pull back on the strength of what JobStack does to support that asset. So it's really a combination of local presence with that digital platform that bring the strength. And I'm really talking about that relationship between the customer and ourselves and the goal of making it sticky.

So anything that adds on our strength to that idea, Mark, we're going to continue with, because in an on-demand environment where things are very difficult for our customers, they're really turning to PeopleReady in a time when the turnover in key positions is just too high. And so they need an associate in there to fill a tough-to-fill job. We need to be there and we need to be top of mind when that customer needs us. So we're going to fuel that. We're going to continue to fuel that while we watch the operating expenses day in and day out upon our execution.

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

Q

Great. And Steve, how would you say Chicago and Dallas are performing relative to the rest of the country in terms of PeopleReady? Like for the last quarter, recent trends?

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

A

Well, Mark, we've got – this is Derrek here. I'll take that one. We've got four markets where we've been doing some level of experimentation in having a more centralized service offering to the clients that we serve. It is mixed. And so what we have, we have about half of those that are performing better and half of those that are performing worse than the rest of the population. And when I talk about performance, it does mean the P&L, revenue and pricing, but more importantly, the underlying drivers of what's behind that. So if you think about what client satisfaction is, about the rating of the workers that we're sending out there, we look at our employee satisfaction scores, we take a look at the turnover of our field-based employees. So it's really split between the two. And so I would call it right now, the collection of those market service centers in their contribution as neutral to the rest of the branch network.

You'd asked about this too, earlier. I'm just going to highlight this a bit. With things hitting the pause button, we're not looking at that as a reason to accelerate movement into the market service centers. We still like that idea. We think that idea has got a lot of legs with it. To do it and do it the well, the way that we think we need to do it, we need some more technology in place really around the workflow management and how we manage the customer, the customers that we have and their experience as well as associates because it's different in a virtual setting when we've got people remote versus in the branch, our current systems are somewhat set up for people to be able to talk within a three-person branch. When we got a broader market that we're trying to serve, we need to add some workflow management there to keep track of where everybody is. So we've got a plan to do that.

I suspect you won't see us move forward with that in a lot more earnest fashion until we have that technology in place towards the middle to end of next year. And like Steve said for now, we're going to keep those in place, but really focused on getting these jobs filled for customers versus moving those market service centers forward in the next quarter or two.

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

Q

Got it. And then, with regards to PeopleReady, you mentioned the fourth quarter and retail, some retail clients. Can you just elaborate on that exactly like how much the impact is? And why some of those retail clients wouldn't be renewing or doing the same programs?

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

A

Sure. Well, if you take a look back to the fourth quarter when it came to retail, I'm going to quote this to you to give you some perspective in this. In the fourth quarter, our retail business grew by almost 100% and in the first quarter of 2022 by 75%. So the retail markets is still strong for us. It's at – we grew at 17% this quarter. Back in the fourth quarter and the first quarter, there were some clients in retail that were, I hate to use this word, maybe I should come with something better, but somewhat desperate. They were in some really bad spots and they used a surge of labor that just doesn't fit with their business model on an ongoing basis. Are they still using our service? Yes, they are. They're just – they're great clients for us. We've got nice relationships with those folks. Those were just peak periods and we called out those peak periods, those surge periods that were really kind of more special projects.

So that constitutes probably about four or five points of headwind as we go into the fourth quarter not because our current run rate is dropping by that amount and creating that much of a headwind. It's more about the prior year comparison that we're facing as we go into the fourth quarter. Just want to make sure everybody was aware of that.

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

Q

Yeah. And really appreciate that, Derrek, and that 4% to 5% of headwind, is that for TrueBlue overall or just for PeopleReady?

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

A

Yeah, that's overall.

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

Q

Overall. Okay. Great. And then On PeopleScout, obviously you're doing phenomenally well, great quarter this quarter. Can you talk a little bit about like the new business trends and new engagement trends as it relates to the end of the quarter relative to the beginning and middle of the quarter and what you're seeing in July? Like, how should we think about PeopleScout because there's obviously still lots of excess demand out there. But just wondering to what extent the pause ends up filtering over to PeopleScout.

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

A

Well, we haven't seen any pause really with the PeopleScout business. From a new business perspective, it is down slightly year to date this year versus where we were last year, but we got off to a really strong start last year, it's not off by much. We take a look at what our three or even five-year average is as far as new business win, when we talk about new business wins, we're talking about a deal that we've landed and then we count the annual amount of revenue that will come from that engagement once we've had it for a full year. But even you compare back to those averages, we're still up this year at PeopleScout. It's looking really nice. Our customers, they're just having so much churn in their customer bases. So we're still getting a lot of business there. We haven't seen any of that really back itself off.

And I don't know if we'll see any of that really in the immediate future, with so many jobs that are open right now. And the jobs that we're placing by the way, these are jobs that most of them require you to be there in person. So it's not just a tight labor market. It's a tight labor market for our customers compared to a population of labor that's available, many of which want to have a virtual work experience and work from home, which wreaks the supply of labor even tighter for our clients. So that's what's driving a lot of the wind in the sails for PeopleScout right now. It looks really strong. No signs right now that any of that is on its way down.

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

Q

That's great to hear. Thank you.

Operator: [Operator Instructions] Your next question comes from the line of Marc Riddick with Sidoti. Your line is open.

Marc Riddick
Analyst, Sidoti & Co. LLC

Q

Hi. Good afternoon.

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

A

Hey, Marc.

Marc Riddick
Analyst, Sidoti & Co. LLC

Q

So I wanted to touch on – some of my questions have already been answered, but I did want to touch a little bit on maybe what you're seeing on a couple of fronts. One, I wanted to get a sense of maybe how you're viewing the competitive landscape and maybe the sort of where you stand competitively now maybe versus six months ago or so because it seems as though you've certainly gained traction. Maybe certainly since they are relative to some peers. And I just wonder if you can sort of talk a little bit about maybe some of the things that are sort of clicking with clients, maybe more, if not – to your expectations, or at least more so than maybe some of your peers in market. And then I have a follow up around maybe some future acquisition opportunities.

Steven C. Cooper
President & Chief Executive Officer, TrueBlue, Inc.

A

Hey. Thanks, Marc. This is Steve. As I've obviously been studying this heavily the last 45 days since coming back understanding where the demand is in the market, who is out there competing against us and how we might be doing in that marketplace. Let me just talk about two different areas for you. We'll first talk about what Derrek just finished, which is full-time hiring and the demand that exists out there for all these open positions. Probably over 11 million open positions in the United States alone, with the bulk of those in the categories we recruit in. So demand's never been stronger.

As we mentioned a little bit, the supply is not getting tighter. It's getting slightly looser. So in that demand environment, we are operating pretty well at PeopleScout. And Derrek just mentioned the surge that our clients feel, even with stable demand and supply getting slightly better. There's been this huge surge and a lot of that is employees trying to figure out where they want to end up and what type of company they might want to end up in. That's where I think when you come back to our core business and not really refer to the marketplace or our clients, we're doing great out there in the PeopleScout environment.

Being a leader in RPO recruitment process, outsourcing here in the United States with a pretty good start on a global basis of being in the United Kingdom and being in Australia, but in the United States, North America, we win more often than we lose. We win a lot. And I think we're the preferred provider here in the US.

When you look at that situation on a competitive front, where we need to be stronger is the ability to work on global deals. If there's a North America alone deal, we compete really well, and like I said, win a lot more than not. But on global deals, we don't. And so that's the competitive front we're looking to fill in and decide and figure out and come up with strategies to be better on a global basis.

If I shift over to our commercial staffing business, both the on-demand and the longer term commercial staffing here, it's all North America-based. So that's our marketplace. Again, demand is strong. There was a little bit of a pause button at the end of Q2 and heading into Q3 year that we've discussed, but we believe it's just very, very slight and it's not shrinking. It's just all this amazing growth that's been happening in this space has slowed slightly. And as we look at the competitive front in that category, it's very fragmented and there's a lot of commercial staffing players out there. So we have to be careful when we talk about who the competition is and who we're referring to. I believe if we focus the strength in our marketplace on the on-demand through the branch network, we win because we're fast, we have local talent placed on local needs, even if it's a national provider, a national customer. We still need to place it locally and we need to show up locally and we need to have local speed and with our branch network, we win in that category.

You throw in the goodness of JobStack that we've been working on for 10 years and it's had a lot of momentum the last three years, with over 90% of our workers on that platform and almost 60% of our revenue going through that platform. On a digital basis, we're doing pretty well, especially for a company that's founded in bricks-and-mortar. Not easy to shift and move to a digital world when your real strength is your local presence. But we've made great progress. I think fundamentally, we are competing as well as anybody in that space. Now we need to clean up our digital presence because there's new on-comers that look better than us in that space that overall they don't look better when you add in the strength of our local network and our local branch. So we've got cleanup to do in both spaces, expand globally in RPO and make the experience more sticky, which we believe is digital for probably 60% to 75% of our customers. That other 25% to 35% is just going to be blocking and tackling daily in the local market and that's where we win. And it's that 25% or 35% that become the hidden gems in our company. Having our sales force out there, what I call a contact sport, every day contacting and selling even if it's two workers for two days, those are the clients that grow into big gems. And so making sure we're strong in that category is going to keep us very competitive in these – in our commercial staffing business.

Marc Riddick
Analyst, Sidoti & Co. LLC

Q

Great. And then, I guess the little quick follow-up that I just wanted to I guess as much as comment as a question, I suppose, but it certainly can't be argued with as far as using some of your cash to repurchase shares when you're looking at an attractive valuation to take advantage of and certainly you've shown the willingness in ability to do that. I was wondering if you can sort of maybe just update thoughts as to what we may see there going forward and certainly it's a pretty good and compelling return proposition there as well.

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

A

Yeah. Thanks for that question, Marc. Yeah. You're absolutely right. Fundamentally nothing has changed in our strategy about allocating the capital back to shareholders. We want to – we don't want to sit on the capital. We want to return it back. We think that's the most efficient way to do it for everybody and do it somewhat consistently with some emphasis when we've got opportunity. And we've kind of shown our cards there during the last recession. I'm not making a prediction about recessions, but we are priced at a pretty attractive level. So that's something that we continue to talk about and how we could do that. And what we want to make sure of is that we are opportunistic at certain times because we want to make sure over the complete economic cycle that we can return that capital back at the average share price or better over that cycle. So being opportunistic does weigh into this as well.

Marc Riddick
Analyst, Sidoti & Co. LLC
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Makes sense. Thank you very much.

Operator: There are no further questions. This does conclude today's conference call. Thank you very much for joining. You may now disconnect.