

July 24, 2012



BBSI Reports Second Quarter 2012 Financial Results

35% Increase in Gross Revenues Drives Diluted Earnings per Share of \$0.53

VANCOUVER, WA -- (Marketwire) -- 07/24/12 -- Barrett Business Services, Inc. (BBSI) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the second quarter ended June 30, 2012.

Second Quarter 2012 Financial Highlights vs. Year-Ago Quarter

- Net revenues increased 26% to \$95.5 million
- Gross revenues increased 35% to \$494.1 million
- Net income of \$3.7 million or \$0.53 per diluted common share, compared to net income of \$3.4 million or \$0.34 per diluted common share

Second Quarter 2012 Financial Results

Net revenues in the second quarter of 2012 increased 26% to \$95.5 million, compared to \$76.0 million in the second quarter of 2011.

Total non-GAAP gross revenues in the second quarter of 2012 increased 35% to \$494.1 million, compared to \$366.9 million in the second quarter of 2011 (see "Reconciliation of Non-GAAP Financial Measures" below). The increase was attributed primarily to the continued build in the Company's Professional Employer Organization (PEO) client count and same-store-sales growth.

Net income in the second quarter of 2012 was \$3.7 million or \$0.53 per diluted common share, compared to net income of \$3.4 million or \$0.34 per diluted common share in the year-ago quarter. The second quarter of 2011 included the benefit of a lower annual effective income tax rate resulting from the non-taxable \$10 million of key man life insurance proceeds received following the passing of the Company's former president and CEO. Excluding the tax rate benefit, non-GAAP net income for the second quarter of 2011 was \$2.9 million or \$0.28 per diluted common share (see "Reconciliation of Non-GAAP Financial Measures" below).

On June 30, 2012, the Company's cash, cash equivalents and marketable securities totaled \$68.0 million, compared to \$81.8 million at December 31, 2011. In March of 2012, BBSI completed the repurchase of 2.5 million common shares from the Estate of William W. Sherertz, which represents all the common shares held by the estate of the Company's former president and CEO, as well as 500,000 common shares from Nancy Sherertz, for a combination of \$24.9 million in cash and \$34.8 million of nonconvertible, non-voting, redeemable preferred stock for an aggregate purchase price of approximately \$59.7 million

or \$20.00 per common share. The Company anticipates borrowing funds through a bank line of credit to redeem the preferred shares during the third quarter of 2012.

Management Commentary

"The 35% increase in gross revenues represents our tenth consecutive quarter of year-over-year double-digit sales growth and an all-time record level of quarterly gross revenue," said Michael Elich, president and CEO of BBSI. "The results of another record quarter are attributed to the return we are realizing from our investment back into the organization, which is supporting continued pipeline growth and rewarding execution in the field. While we continue to mature our product offering, organizational culture and brand offering to our client base, we are seeing continued strength in our pipeline of new client additions while also maintaining very strong client retention."

Third Quarter 2012 Outlook

For the third quarter of 2012, the Company expects gross revenues to range between \$525 million and \$530 million, compared to \$406.0 million for the third quarter of 2011. Diluted income per common share in the third quarter of 2012 is expected to range between \$0.70 and \$0.73, compared to diluted income per common share of \$0.54 in the year-ago quarter. Diluted income per common share in the third quarter of 2011 included a favorable income tax rate benefit related to the effect of a much lower annual effective income tax rate attributable to the life insurance proceeds as previously discussed. Without this benefit, diluted income per common share in the third quarter of 2011 was \$0.42.

The range of anticipated diluted earnings per common share for the third quarter of 2012 excludes an accrual of a dividend on the redeemable preferred stock as the Company currently plans to redeem the preferred stock in full before September 28, 2012, in which event, no dividend would be payable. As discussed above, the Company anticipates redeeming the preferred shares using a bank line of credit. A reconciliation of expected gross revenues to expected GAAP net revenues for the third quarter of 2012 is not included because PEO revenues and the cost of PEO revenues for the period cannot be reasonably estimated.

Conference Call

BBSI will host a conference call tomorrow, Wednesday, July 25, 2012 at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) to discuss its second quarter 2012 results. The Company's president and CEO Michael Elich and CFO James Miller will host the call, followed by a question and answer period.

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios Group at 1-949-574-3860.

Date: Wednesday, July 25, 2012

Time: 12:00 p.m. Eastern time (9:00 a.m. Pacific time)

Dial-In Number: 1-877-941-4774

International: 1-480-629-9760

Conference ID#: 4551898

The conference call will be broadcast live and available for replay at <http://public.viavid.com/index.php?id=101055> and via the investor relations section of the Company's website at www.barrettbusiness.com.

A replay of the call will be available after 3:00 p.m. Eastern time on the same day and until August 25, 2012.

Toll-free replay number: 1-877-870-5176
 International replay number: 1-858-384-5517
 Replay pin number: 4551898

Reconciliation of Non-GAAP Financial Measures

In addition to the results prepared in accordance with generally accepted accounting principles ("GAAP"), the Company is disclosing non-GAAP gross revenues and non-GAAP net income.

The Company reports its PEO revenues on a net basis because it is not the primary obligor for the services provided by the Company's PEO clients to their customers. The gross revenues and cost of revenues information below, although not in accordance with GAAP, is presented for comparison purposes and because management believes such information is more informative as to the level of the Company's business activity and more useful in managing its operations.

| (in thousands) | (Unaudited) Second Quarter Ended June 30, | | (Unaudited) Six Months Ended June 30, | |
|--------------------------------|---|-----------|---|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Staffing services | \$ 30,387 | \$ 30,518 | \$ 56,598 | \$ 58,850 |
| Professional employer services | 463,671 | 336,380 | 869,521 | 639,114 |
| Total revenues | 494,058 | 366,898 | 926,119 | 697,964 |
| Cost of revenues: | | | | |
| Direct payroll costs | 418,594 | 312,385 | 785,527 | 595,027 |
| Payroll taxes and benefits | 39,332 | 28,886 | 82,324 | 60,649 |
| Workers' compensation | 19,791 | 12,346 | 35,370 | 23,409 |
| Total cost of revenues | 477,717 | 353,617 | 903,221 | 679,085 |
| Gross margin | \$ 16,341 | \$ 13,281 | \$ 22,898 | \$ 18,879 |

A reconciliation of non-GAAP gross revenues to net revenues is as follows:

(Unaudited)

| Three Months Ended June 30, | | | | | | |
|--------------------------------|------------------|-----------|------------------|-------------|------------------|-----------|
| (in thousands) | Gross Revenue | | | | Net Revenue | |
| | Reporting Method | | Reclassification | | Reporting Method | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Staffing services | \$ 30,387 | \$ 30,518 | \$ - | \$ - | \$ 30,387 | \$ 30,518 |
| Professional employer services | 463,671 | 336,380 | (398,558) | (290,885) | 65,113 | 45,495 |
| Total revenues | \$494,058 | \$366,898 | \$(398,558) | \$(290,885) | \$ 95,500 | \$ 76,013 |
| Cost of revenues | \$477,717 | \$353,617 | \$(398,558) | \$(290,885) | \$ 79,159 | \$ 62,732 |

(Unaudited)
Six Months Ended June 30,

| (in thousands) | Gross Revenue | | | | Net Revenue | |
|--------------------------------|------------------|-----------|------------------|-------------|------------------|-----------|
| | Reporting Method | | Reclassification | | Reporting Method | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Staffing services | \$ 56,598 | \$ 58,850 | \$ - | \$ - | \$ 56,598 | \$ 58,850 |
| Professional employer services | 869,521 | 639,114 | (748,197) | (553,182) | 121,324 | 85,932 |
| Total revenues | \$926,119 | \$697,964 | \$(748,197) | \$(553,182) | \$177,922 | \$144,782 |
| Cost of revenues | \$903,221 | \$679,085 | \$(748,197) | \$(553,182) | \$155,024 | \$125,903 |

The Company is presenting non-GAAP net income because it believes it is more reflective of its actual operating results due to the non-recurring nature of the life insurance proceeds. A reconciliation of GAAP net income to non-GAAP operating performance is provided in the table below:

| (in thousands, except per share amounts) | (Unaudited) Second Quarter Ended June 30, | | | |
|--|---|----------|-------------|----------|
| | 2012 | | 2011 | |
| | GAAP | GAAP | Adjustments | non-GAAP |
| Income before taxes | \$ 5,631 | \$ 4,345 | \$ - | \$ 4,345 |

| | | | | |
|--|----------|----------|-----|----------|
| Provision for income taxes | 1,888 | 896 | 565 | 1,461 |
| | ----- | ----- | | ----- |
| Net income | \$ 3,743 | \$ 3,449 | | \$ 2,884 |
| | ----- | ----- | | ----- |
| Basic income per share | \$.54 | \$.34 | | \$.28 |
| | ----- | ----- | | ----- |
| Weighted average basic shares outstanding | 6,995 | 10,196 | | 10,196 |
| | ----- | ----- | | ----- |
| Diluted income per share | \$.53 | \$.34 | | \$.28 |
| | ----- | ----- | | ----- |
| Weighted average diluted shares outstanding | 7,078 | 10,245 | | 10,245 |
| | ===== | ===== | | ===== |

About BBSI

BBSI (NASDAQ: BBSI) is a leading provider of business management solutions, combining human resource outsourcing and professional management consulting to create a unique operational platform that differentiates it from competitors. The Company's integrated platform is built upon expertise in payroll processing, employee benefits, workers' compensation coverage, risk management and workplace safety programs, and human resource administration. BBSI's partnerships help businesses of all sizes improve the efficiency of their operations. BBSI works with more than 3,000 clients across all lines of business in 23 states. For more information, please visit www.barrettbusiness.com.

Forward-Looking Statements

Statements in this release about future events or performance, including gross revenues and earnings expectations for the third quarter of 2012, are forward-looking statements which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include economic conditions in the Company's service areas, the effect of changes in the Company's mix of services on gross margin, the Company's ability to retain current clients and attract new clients, the availability of financing or other sources of capital, including the impact of such availability on the Company's plans to redeem its preferred stock, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of the Company's primary markets, the collectability of accounts receivable, and the effect of conditions in the global capital markets on the Company's investment portfolio, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2011 Annual Report on Form 10-K. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements are less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

(Unaudited)

| (in thousands) | June 30, 2012 | December 31, 2011 |
|---|------------------|----------------------|
| | ----- | ----- |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,358 | \$ 49,571 |
| Marketable securities | 14,240 | 16,878 |
| Trade accounts receivable, net | 63,433 | 46,520 |
| Income taxes receivable | 3,432 | 4,133 |
| Prepaid expenses and other | 2,914 | 5,897 |
| Deferred income taxes | 5,931 | 5,958 |
| | ----- | ----- |
| Total current assets | 126,308 | 128,957 |
| Marketable securities | 17,439 | 15,395 |
| Property, equipment and software, net | 15,832 | 15,007 |
| Restricted marketable securities and workers' compensation deposits | 9,932 | 9,923 |
| Other assets | 3,035 | 3,027 |
| Workers' compensation receivables for insured claims | 1,601 | 2,968 |
| Goodwill, net | 47,820 | 47,820 |
| | ----- | ----- |
| | \$ 221,967 | \$ 223,097 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,913 | \$ 1,639 |
| Accrued payroll, payroll taxes and related benefits | 68,385 | 52,340 |
| Income taxes payable | 193 | - |
| Other accrued liabilities | 350 | 300 |
| Workers' compensation claims liabilities | 19,670 | 18,718 |
| Safety incentives liabilities | 7,541 | 6,321 |
| | ----- | ----- |
| Total current liabilities | 98,052 | 79,318 |
| Long-term workers' compensation claims liabilities | 35,231 | 30,596 |
| Long-term workers' compensation liabilities for insured claims | 864 | 1,879 |
| Deferred income taxes | 8,152 | 8,152 |
| Mandatorily redeemable preferred stock | 34,800 | - |
| Customer deposits and other long-term liabilities | 1,502 | 1,497 |
| Stockholders' equity | 43,366 | 101,655 |
| | ----- | ----- |
| | \$ 221,967 | \$ 223,097 |
| | ===== | ===== |

Barrett Business Services, Inc.
Consolidated Statements of Operations

| | | |
|--|----------------------|------------------|
| (in thousands, except per share amounts) | (Unaudited) | (Unaudited) |
| | Second Quarter Ended | Six Months Ended |
| | June 30, | June 30, |
| | ----- | ----- |

| | 2012 | 2011 | 2012 | 2011 |
|--|-----------|-----------|-----------|-----------|
| Revenues: | | | | |
| Staffing services | \$ 30,387 | \$ 30,518 | \$ 56,598 | \$ 58,850 |
| Professional employer service fees | 65,113 | 45,495 | 121,324 | 85,932 |
| Total revenues | 95,500 | 76,013 | 177,922 | 144,782 |
| Cost of revenues: | | | | |
| Direct payroll costs | 22,843 | 23,093 | 42,495 | 44,541 |
| Payroll taxes and benefits | 39,332 | 28,886 | 82,324 | 60,649 |
| Workers' compensation | 16,984 | 10,753 | 30,205 | 20,713 |
| Total cost of revenues | 79,159 | 62,732 | 155,024 | 125,903 |
| Gross margin | 16,341 | 13,281 | 22,898 | 18,879 |
| Selling, general and administrative expenses | 10,549 | 8,871 | 20,313 | 17,698 |
| Depreciation and amortization | 357 | 331 | 704 | 666 |
| Income from operations | 5,435 | 4,079 | 1,881 | 515 |
| Life insurance proceeds | - | - | - | 10,000 |
| Other income, net | 196 | 266 | 412 | 720 |
| Income before taxes | 5,631 | 4,345 | 2,293 | 11,235 |
| Provision for income taxes | 1,888 | 896 | 763 | 2,240 |
| Net income | \$ 3,743 | \$ 3,449 | \$ 1,530 | \$ 8,995 |
| Basic income per common share | \$.54 | \$.34 | \$.18 | \$.88 |
| Weighted average basic common shares outstanding | 6,995 | 10,196 | 8,435 | 10,198 |
| Diluted income per common share | \$.53 | \$.34 | \$.18 | \$.88 |
| Weighted average diluted common shares outstanding | 7,078 | 10,245 | 8,511 | 10,246 |

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