

October 29, 2013



BBSI Reports Third Quarter 2013 Financial Results

Q3 Net Revenues up 33% to \$148.0 Million Drives 49% Increase in Diluted Earnings per Share to \$1.21

VANCOUVER, WA -- (Marketwired) -- 10/29/13 -- Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the third quarter ended September 30, 2013.

Third Quarter 2013 Financial Highlights vs. Year-Ago Quarter

- Net revenues up 33% to \$148.0 million
- Gross revenues up 37% to \$764.1 million
- Net income increased 55% to \$9.0 million
- Diluted earnings per share increased 49% to \$1.21

Third Quarter 2013 Financial Results

Net revenues in the third quarter of 2013 increased 33% to \$148.0 million compared to \$111.1 million in the third quarter of 2012. The increase was due primarily to the continued build in the Company's co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the third quarter of 2013 increased 37% to \$764.1 million compared to \$558.0 million in the third quarter of 2012 (see "Reconciliation of Non-GAAP Financial Measures" below).

Net income in the third quarter of 2013 increased 55% to \$9.0 million compared to net income of \$5.8 million in the year-ago quarter. Diluted earnings per share in the third quarter of 2013 increased 49% to \$1.21 compared to \$0.81 per diluted share in the year-ago quarter.

At September 30, 2013, the Company's cash, cash equivalents and marketable securities totaled \$48.0 million, compared to \$72.4 million at December 31, 2012. During the second quarter of 2013, the Company posted \$63.9 million in restricted certificates of deposit to collateralize a letter of credit issued to satisfy a surety requirement for its self-insured workers' compensation program in the state of California. At September 30, 2013, the Company had no outstanding borrowings on its revolving credit facility.

Management Commentary

"During the third quarter, gross revenues grew by more than 30% for the seventh consecutive quarter and were the highest in the company's history by nearly \$90 million,"

said Michael Elich, president and CEO of BBSI. "We continue to mature BBSI's brand in the marketplace complemented by our strong referral channels helping to drive new business as well as healthy organic growth from our existing client base. Our three-tier partnership platform and operational focus also continues to drive an industry-leading 90+% retention rate. While we are pleased with the quarter's strong results, it is important to note that we continue to reinvest in our company to ultimately support a much larger and more mature organization."

Fourth Quarter 2013 Outlook

For the fourth quarter of 2013, the Company expects gross revenues to increase at least 30% to between \$780 million and \$790 million compared to \$596.7 million in the fourth quarter of 2012. Diluted income per common share in the fourth quarter of 2013 is expected to increase at least 43% to between \$1.15 and \$1.20 compared to \$0.80 in the fourth quarter of 2012.

Conference Call

BBSI will host a conference call tomorrow, Wednesday, October 30, 2013 at 12:00 p.m. Eastern time (9:00 a.m. Pacific time) to discuss its financial results for the third quarter ended September 30, 2013. The Company's president and CEO Michael Elich and CFO James Miller will host the call, followed by a question and answer period.

Date: Wednesday, October 30, 2013

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

Toll-free dial-in number: 1-877-941-8416

International dial-in number: 1-480-629-9808

Conference ID: 4644742

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.

The conference call will be broadcast live and available for replay at <http://public.viavid.com/index.php?id=106326> and via BBSI's 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 through November 30, 2013.

Toll-free replay number: 1-877-870-5176

International replay number: 1-858-384-5517

Replay ID: 4644742

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.

The Company reports its Professional Employer Service revenues on a net basis because it is not the primary obligor for the services provided by the Company's co-employed 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) Third Quarter Ended September 30, | | (Unaudited) Nine Months Ended September 30, | |
|--------------------------------|---|------------|---|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Professional employer services | \$ 722,387 | \$ 521,836 | \$1,923,533 | \$1,391,357 |
| Staffing services | 41,727 | 36,195 | 106,764 | 92,793 |
| Total revenues | 764,114 | 558,031 | 2,030,297 | 1,484,150 |
| Cost of revenues: | | | | |
| Direct payroll costs | 643,482 | 470,950 | 1,711,020 | 1,256,477 |
| Payroll taxes and benefits | 57,977 | 42,915 | 170,583 | 125,239 |
| Workers' compensation | 32,469 | 22,602 | 86,471 | 57,972 |
| Total cost of revenues | 733,928 | 536,467 | 1,968,074 | 1,439,688 |
| Gross margin | \$ 30,186 | \$ 21,564 | \$ 62,223 | \$ 44,462 |

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

| (in thousands) | (Unaudited) Three Months Ended September 30, | | | | | |
|--------------------------------|---|------------|------------------|-------------|---------------------------------|-----------|
| | Gross Revenue Reporting Method | | Reclassification | | Net Revenue Reporting Method | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Professional employer services | \$722,387 | \$ 521,836 | \$(616,143) | \$(446,962) | \$106,244 | \$ 74,874 |
| Staffing services | 41,727 | 36,195 | - | - | 41,727 | 36,195 |
| Total revenues | \$764,114 | \$ 558,031 | \$(616,143) | \$(446,962) | \$147,971 | \$111,069 |
| Cost of revenues | \$733,928 | \$ 536,467 | \$(616,143) | \$(446,962) | \$117,785 | \$ 89,505 |

| (in thousands) | (Unaudited) Nine Months Ended September 30, | | | | |
|----------------|--|--|------------------|--|---------------------------------|
| | Gross Revenue Reporting Method | | Reclassification | | Net Revenue Reporting Method |

| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|--------------------------------|-------------|-------------|---------------|---------------|-----------|-----------|
| Revenues: | | | | | | |
| Professional employer services | \$1,923,533 | \$1,391,357 | \$(1,641,977) | \$(1,195,159) | \$281,556 | \$196,198 |
| Staffing services | 106,764 | 92,793 | - | - | 106,764 | 92,793 |
| Total revenues | \$2,030,297 | \$1,484,150 | \$(1,641,977) | \$(1,195,159) | \$388,320 | \$288,991 |
| Cost of revenues | \$1,968,074 | \$1,439,688 | \$(1,641,977) | \$(1,195,159) | \$326,097 | \$244,529 |

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. The Company 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 fourth quarter of 2013, 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, 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 2012 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) | September 30, 2013 | December 31, 2012 |
|--|-----------------------|----------------------|
| | ----- | ----- |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 34,978 | \$ 45,747 |
| Marketable securities | 7,108 | 16,748 |
| Trade accounts receivable, net | 98,717 | 63,921 |
| Income taxes receivable | 2,307 | - |
| Prepaid expenses and other | 1,444 | 4,854 |
| Restricted certificates of deposit | 63,944 | - |
| Deferred income taxes | 8,172 | 8,148 |
| | ----- | ----- |
| Total current assets | 216,670 | 139,418 |
| Marketable securities | 5,876 | 9,899 |
| Property, equipment and software, net | 20,383 | 18,489 |
| Restricted marketable securities and workers' compensation deposits | 10,472 | 9,726 |
| Other assets | 3,132 | 3,509 |
| Goodwill | 47,820 | 47,820 |
| | ----- | ----- |
| | \$ 304,353 | \$ 228,861 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 220 | \$ 220 |
| Line of credit | - | 4,532 |
| Accounts payable | 2,721 | 1,995 |
| Accrued payroll, payroll taxes and related benefits | 107,060 | 69,568 |
| Income taxes payable | - | 272 |
| Other accrued liabilities | 953 | 306 |
| Workers' compensation claims liabilities | 32,068 | 24,541 |
| Safety incentives liabilities | 11,947 | 9,842 |
| | ----- | ----- |
| Total current liabilities | 154,969 | 111,276 |
| Long-term workers' compensation claims liabilities | 63,912 | 46,023 |
| Long term debt | 5,108 | 5,273 |
| Deferred income taxes | 10,607 | 10,607 |
| Customer deposits and other long-term liabilities | 1,789 | 1,786 |
| Stockholders' equity | 67,968 | 53,896 |
| | ----- | ----- |
| | \$ 304,353 | \$ 228,861 |
| | ===== | ===== |

Barrett Business Services, Inc.
Consolidated Statements of Operations

| (in thousands, except per share amounts) | (Unaudited) | | (Unaudited) | |
|---|--------------------------------------|-------|-------------------------------------|-------|
| | Third Quarter Ended September 30, | | Nine Months Ended, September 30, | |
| | ----- | ----- | ----- | ----- |
| | 2013 | 2012 | 2013 | 2012 |
| | ----- | ----- | ----- | ----- |

Revenues:

| | | | | |
|--|------------|-----------|------------|------------|
| Professional employer service fees | \$ 106,244 | \$ 74,874 | \$ 281,556 | \$ 196,198 |
| Staffing services | 41,727 | 36,195 | 106,764 | 92,793 |
| | ----- | ----- | ----- | ----- |
| Total revenues | 147,971 | 111,069 | 388,320 | 288,991 |
| | ----- | ----- | ----- | ----- |
| Cost of revenues: | | | | |
| Direct payroll costs | 31,585 | 27,158 | 80,492 | 69,653 |
| Payroll taxes and benefits | 57,977 | 42,915 | 170,583 | 125,239 |
| Workers' compensation | 28,223 | 19,432 | 75,022 | 49,637 |
| | ----- | ----- | ----- | ----- |
| Total cost of revenues | 117,785 | 89,505 | 326,097 | 244,529 |
| | ----- | ----- | ----- | ----- |
| Gross margin | 30,186 | 21,564 | 62,223 | 44,462 |
| Selling, general and administrative expenses | 16,808 | 12,745 | 43,113 | 33,058 |
| Depreciation and amortization | 521 | 372 | 1,487 | 1,076 |
| | ----- | ----- | ----- | ----- |
| Income from operations | 12,857 | 8,447 | 17,623 | 10,328 |
| Other income, net | 109 | 156 | 306 | 568 |
| | ----- | ----- | ----- | ----- |
| Income before taxes | 12,966 | 8,603 | 17,929 | 10,896 |
| Provision for income taxes | 3,972 | 2,791 | 5,598 | 3,554 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 8,994 | \$ 5,812 | \$ 12,331 | \$ 7,342 |
| | ===== | ===== | ===== | ===== |
| Basic income per common share | \$ 1.26 | \$ 0.83 | \$ 1.74 | \$ 0.92 |
| | ===== | ===== | ===== | ===== |
| Weighted average basic common shares outstanding | 7,150 | 7,007 | 7,085 | 7,959 |
| | ===== | ===== | ===== | ===== |
| Diluted income per common share | \$ 1.21 | \$ 0.81 | \$ 1.67 | \$ 0.91 |
| | ===== | ===== | ===== | ===== |
| Weighted average diluted common shares outstanding | 7,425 | 7,184 | 7,371 | 8,069 |
| | ===== | ===== | ===== | ===== |

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