

TrueBlue Q2 2025 Financial Results

Conference Call, August 4, 2025

PREPARED REMARKS

INTRODUCTION

Operator

Greetings and welcome to the TrueBlue second quarter 2025 earnings Call. [Operator Instructions] As a reminder, this conference is being recorded.

At this time, 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 management assumes 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 SEC filings, could cause actual results to differ materially from those in the forward-looking statements.

Management uses non-GAAP measures when presenting financial results. You are encouraged 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, a copy of the Company's prepared remarks will be provided on TrueBlue's investor website at the conclusion of today's call, and a full transcript and audio replay will be available soon after the call.

It is now my pleasure to turn the call over to Taryn Owen, President and Chief Executive Officer.

OVERVIEW AND STRATEGY

Taryn Owen, President and Chief Executive Officer, TrueBlue:

Thank you, operator, and welcome everyone to today's call. I am joined by our Chief Financial Officer, Carl Schweih.

Before we turn to the financials, I'd like to take a few minutes to discuss TrueBlue's current market position and the actions we've taken to strengthen the Company during this prolonged industry downturn.

We have viewed this as a period of opportunity to create long-term competitive advantage and drive market share gains early by leaning into our core differentiators. We've been deliberate in streamlining operations and positioning TrueBlue to lead as the labor market evolves—expanding into high-growth, under-penetrated end markets with secular tailwinds, increasing our mix of skilled and professional roles, accelerating our digital transformation, diversifying revenue streams, and eliminating non-essential costs.

So, who is TrueBlue today?

We're a leading provider of digitally enabled specialized workforce solutions that seamlessly connect employers and talent with precision and scale. Backed by decades of experience, we deliver total workforce solutions across recruitment, attraction, assessment, and workforce

management. We help clients improve workforce quality, streamline operations, and meet evolving talent demands.

We partner with over 55,000 customers and more than 300,000 workers annually. As an extension of our clients, we bring operational insight, local market expertise, and disciplined execution to help solve complex workforce challenges. Our extensive national footprint includes approximately 500 branches, hundreds of on-site locations, and tens of thousands of client worksites, enabled by a digital reach that spans every corner of the U.S., from major cities to small and rural communities. We tailor our solution to each client's footprint and operating model with extensive in-market presence and delivery flexibility, supported by a full-spectrum offering and an expansive talent network. Our award-winning RPO capabilities further extend our reach across the globe and we've strategically expanded our total addressable market from roughly \$45 billion to \$90 billion and growing, with our recent acquisition of Healthcare Staffing Professionals. While the market itself is highly fragmented, TrueBlue stands out in its ability to serve both large national accounts and local businesses—and is trusted by clients to deliver consistent high-quality results.

We've proven ourselves as industry innovators, developing a suite of proprietary digital platforms that lead the industry in user experience, engagement, and operational efficiency. Our digital ecosystem, powered by data and intelligent agent frameworks, creates a durable competitive advantage that extends the reach of our digital-first staffing and recruitment solutions, supporting scalable growth, cost efficiency, and margin expansion. We've advanced a robust innovation pipeline focused on integrating responsible AI into our platform strategies to transform how we attract, engage, and deploy talent.

Our ability to deliver digitally enabled total workforce solutions—spanning staffing, RPO, talent advisory, and more—uniquely positions us to serve as a single, strategic partner across the entire workforce lifecycle. And by aligning talent, technology, and data-driven engagement across our portfolio, we unlock cross-selling opportunities, better meet evolving client needs, and drive profitable growth. The high free cash flow nature of our business paired with a limited capex profile further enables us to pursue future growth opportunities.

Our competitive offering and positioning are clear and well differentiated. Now, let's turn to our strategic plan for delivering greater shareholder value over time.

Our strategy is anchored in our key priorities to accelerate our digital transformation, grow our share in high-growth end markets and attractive skilled trades and professional talent segments, and optimize our sales function to accelerate growth and capture demand, all while maintaining operational excellence to deliver efficiencies and long-term profitability. Together, these priorities position TrueBlue well in today's environment and to capitalize on long-term secular trends to deliver sustained growth over time.

We've also proactively implemented targeted cost reductions to improve efficiency, expand margins, and enhance profitability. We have simplified our organizational structure through the divestiture of our Canadian operations, streamlined global leadership, and removed structural inefficiencies. Altogether, these actions have delivered approximately \$90 million in permanent SG&A savings from our 2022 base, creating durable cost leverage and enabling strong incremental margin expansion as revenue recovers.

But we haven't simply cut costs and waited for conditions to improve. Drawing on our decades of experience and data-driven insights, we've identified high-potential areas for long-term,

sustainable growth, and while maintaining our strong balance sheet, have strategically invested to position TrueBlue ahead of secular tailwinds.

We've made significant progress in optimizing our sales function to accelerate growth and capture demand as the market rebounds. This includes a full reorganization of our sales model, decoupling sales from operations and transitioning to a territory-based go-to-market structure that empowers integrated local leadership and enhances client focus, disciplined execution, and productivity. We've expanded field sales capacity in high-priority markets and rolled out localized enablement strategies and territory-specific campaigns to improve market relevance and activation. We deployed Salesforce CRM across our field organization, improving pipeline visibility, territory coordination, and proactive sales execution.

As part of our broader commercial strategy, we've launched an enterprise-wide strategic partnership program to unlock new client acquisition channels and deepen enterprise client relationships. A key example of this is our recently announced partnership with OMNIA Partners, one of the largest group purchasing organizations in the U.S. This relationship has opened access to a broad, high-value member network and is fueling a growing pipeline of multi-brand opportunities across our portfolio.

As we continue to diversify and scale our business, we're expanding into high-growth, underpenetrated end markets aligned to secular demand trends. Already a leader in U.S. industrial and skilled trade staffing, we're well-positioned to support manufacturing reshoring and help address structural labor shortages. A strong example is our commercial driver business, which continues to outperform—delivering its fourth consecutive quarter of double-digit revenue growth. We're also expanding our presence in the energy sector, where ongoing infrastructure investment is fueling sustained demand for skilled labor.

Through our acquisition of HSP, TrueBlue has established a strong foothold in healthcare—one of the fastest-growing and most resilient sectors of the labor market. Healthcare continues to benefit from strong macro drivers—including an aging population, increased patient volumes, and persistent labor shortages. HSP not only expands our client base and revenue streams, but also brings deep expertise in compliance and clinician management—capabilities we are well-positioned to scale. With early traction, we believe TrueBlue is ideally equipped to serve the healthcare industry with the same blend of technology, service, and national reach that drives success in our core verticals.

We're also expanding our presence in professional roles by broadening our RPO solution to deliver higher-skilled, higher-value placements. Over the past year, we've grown our mix of RPO services in sectors such as healthcare, engineering, and technology—driven by both new client wins and account expansions. In 2024, we achieved an 8% increase in the number of clients engaging us for professional roles and a 29% increase in the number of IT-related hires, reinforcing our position in this expanding segment. As we look ahead, deepening our footprint across these high-value roles remains a key strategic priority.

The digital transformation of our business has been essential to delivering faster, more precise, and transparent workforce solutions. We've embedded AI-powered job matching, predictive analytics, and behavioral insights across the talent lifecycle to enable journey-based personalization that improves responsiveness while prompting timely action—whether that's placing an order, extending a contract, or accepting a role.

Combined with our existing market presence and deep industry expertise, these innovations position TrueBlue to deliver smarter, more personalized experience – driving reliability, profitability, and long-term competitive advantage.

Our ability to execute on this strategy is underpinned by the strength and experience of our leadership team. With decades of relevant industry knowledge and direct operational expertise, our executive team brings hands-on leadership to every facet of the business.

Now, turning towards the quarter, we are encouraged to see positive momentum with double-digit growth for our skilled businesses, overall signs of stabilization and a return to company-wide growth expected in the third quarter. We are confident that the cost actions we have taken position us well to drive even stronger profitability as industry demand expands.

I will now pass the call over to Carl, who will share further details around our financial results and outlook.

FINANCIAL RESULTS AND OUTLOOK

Carl Schweih, Executive Vice President and Chief Financial Officer, TrueBlue:

Thank you, Taryn.

Total revenue for the quarter was \$396 million, flat to the prior year and near the low-end of our outlook range as uncertainty and client caution continued to weigh on the staffing industry. Included in these results is 4 percentage points of growth driven by our recent acquisition of HSP. As expected, temporary labor and permanent hiring volumes remained suppressed with clients navigating an unpredictable business landscape and staying cautious around business spend. While overall market demand was soft, we are capitalizing on growing markets and leveraging our deep expertise to create additional opportunities for growth. For example, as Taryn mentioned, our skilled businesses delivered double-digit growth for the quarter and our on-site team recently secured one of its largest single site wins with a multinational e-commerce client.

Gross margin was 23.6% for the quarter, down 280 basis points. The primary driver of the decline was changes in revenue mix with more favorable trends in our lower margin PeopleManagement businesses and PeopleReady renewable energy work. As a reminder, renewable energy work carries a lower gross margin than the general PeopleReady business due to the pass-through travel costs involved. Certain software depreciation now being reported in cost of services also contributed to the margin decline. Keep in mind, software depreciation is non-cash and excluded from our EBITDA and adjusted EBITDA calculations.

We successfully reduced SG&A by 7%, largely outpacing the organic revenue decline and demonstrating our continued commitment to maintain cost discipline and enhance our profitability. We recognized a COVID-19 government subsidy benefit during the quarter, but since we reported a similar benefit in the prior year, it had no meaningful impact on the year-over-year decline. The real driver is our continued focus on the areas we can control to not only align with current market dynamics but also create greater flexibility to scale. We have made significant progress simplifying our cost structure and creating efficiencies which will drive enhanced profitability as industry demand rebounds.

We reported a net loss of \$0.2 million for this quarter, which included a non-cash, intangible asset impairment charge of \$0.2 million, as well as a small amount of income tax expense

primarily associated with our foreign operations and essentially zero income tax benefit on U.S. operations due to the valuation allowance in effect on our U.S. deferred tax assets. As a reminder, these charges have no impact on our operations, liquidity or debt covenants. Adjusted net loss was \$2 million, while adjusted EBITDA was \$3 million.

Now, let's turn to our segments.

PeopleReady revenue declined 5%, driven by reduced client volumes across most verticals and geographies. While overall market demand remained soft, our skilled businesses grew double-digits for the quarter due to the healthy project ramp and minimal schedule disruptions. We are also encouraged to see improved on-demand trends in two of our largest states with results in California and Florida, indicating growing momentum as we exited the quarter. PeopleReady segment profit margin was up 50 basis points, largely driven by cost actions to deliver efficiencies and greater scalability.

PeopleManagement grew for the second consecutive quarter, with revenue up 2%. This growth was driven by strong results from our commercial drivers business which delivered its fourth consecutive quarter of double-digit growth. While on-site client volumes declined for the quarter, continued strength in new business wins and customer expansions is generating solid momentum as we enter the back half of the year. PeopleManagement's segment profit margin was up 50 basis points as our disciplined cost management actions continue to drive improved efficiencies.

PeopleSolutions revenue grew 20%, with HSP performing in line with expectations and contributing 40 percentage points of inorganic growth, offsetting the segment's organic decline of 20%. Also included in these results is 9 percentage points of decline from the client loss we discussed in previous quarters. Overall, hiring volumes remained subdued as clients face evolving market conditions and uncertainty around their workforce needs but our teams are doing a great job helping existing customers navigate these labor dynamics and adding new clients to our portfolio, especially in high-value professional roles and attractive end-markets. Our strong client relationships position us well to drive further revenue expansion as customers' hiring volumes return. PeopleSolutions segment profit margin was down 320 basis points due to the lower operating leverage as revenue declined.

Now, let's turn to the balance sheet. We finished the quarter with \$22 million in cash, \$54 million of debt and \$79 million of borrowing availability, resulting in total liquidity of \$101 million. During the quarter, \$15 million of workers' compensation collateral was released and we reduced our debt position by \$4 million while increasing working capital by \$14 million as we maintain a very focused and balanced capital strategy. We continue to manage a strong liquidity position, providing us with great flexibility and ensuring we are well positioned as market demand rebounds.

Turning to our outlook for the third quarter, we expect revenue growth of 5 to 11 percent year-over-year. This includes 4 percentage points of growth from the acquisition of HSP. Our outlook reflects a continuation of current market trends because while there are some green shoots and early signs of improvement, the broader business landscape remains unpredictable. Also keep in mind, given the seasonality of our business, we typically see our highest volumes in the second half of the year, corresponding with improved operating leverage and bolstered by our lean cost structure that we expect to drive additional margin improvement as we move through the year.

Additional information on our outlook can be found in our earnings presentation shared on our website today.

Before we open up the call for questions, I want to turn it back over to Taryn for some closing remarks.

CLOSING PREPARED REMARKS

Taryn Owen, President and Chief Executive Officer, TrueBlue:

Thank you, Carl.

As you have heard from us today, our TrueBlue team has a proven track record of increasing market share and revenue through skill and geographic expansion—and a growing opportunity to accelerate impact through cross-portfolio solutions, sales function optimization, and tech-driven innovation.

We have a clear strategy that positions us to drive long-term, sustainable value, well-aligned to secular tailwinds and an approximately \$90 billion global total addressable market.

Our leadership team and talented employees are energized by the opportunities ahead as we position TrueBlue for margin expansion and an outsized share of industry growth.

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