

**TrueBlue, Inc.**  
**First Quarter 2023 Earnings Call**  
**April 24, 2023**

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**COMPANY PARTICIPANTS**

**Steve Cooper – Director and Chief Executive Officer**  
**Derrek Gafford – Executive Vice President and Chief Financial Officer**  
**Taryn Owen – President and Chief Operating Officer**

**OTHER PARTICIPANTS**

**Kartik Mehta – Northcoast Research (Analyst)**  
**Jeff Silber – BMO Capital Markets (Analyst)**  
**Mark Marcon – Baird (Analyst)**  
**Marc Riddick – Sidoti & Company (Analyst)**

**MANAGEMENT DISCUSSION SECTION**

**Operator**

Greetings, and welcome to the TrueBlue First Quarter 2023 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Derrek Gafford, Chief Financial Officer. Thank you, Derrek. You may begin.

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**Derrek Gafford**

Good afternoon, everyone, and thank you for joining today's call. I'm joined by our Chief Executive Officer, Steve Cooper, and our President and Chief Operating Officer, Taryn Owen. 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](https://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 turn the call over to Steve.

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## Steve Cooper

Thank you, Derrek, and welcome, everyone, to today's call. Given the macroeconomic climate, we are pleased that demand for our services was right in line with our expectations. Our PeopleReady business is one of the first to feel the impact from a change in macroeconomic conditions, given the short duration of job assignments and the project-based nature of its services.

After experiencing the first signs of slowing demand during the second quarter last year, the underlying revenue trends at PeopleReady have been steady since October. As we expected, our PeopleScout and PeopleManagement businesses followed suit with slower demand trends during the first quarter this year as some clients trimmed their human capital spending due to macroeconomic uncertainty despite many clients having open positions.

This led to overall revenue of \$465 million, down 16 percent compared to Q1 2022. Because of these anticipated trends, the PeopleScout and PeopleManagement teams were proactive, taking swift actions late in the quarter to reduce costs to ensure the operating structure was more in line with demand. Our teams were also able to maintain pricing discipline throughout the quarter and deliver another quarter of positive bill pay spreads in our PeopleReady business.

Turning to the segments, PeopleReady is our largest segment. It represents 56 percent of total trailing 12-month revenue and 57 percent 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.

Revenue for the quarter was down 17 percent. As a reminder, in the first quarter of 2022, PeopleReady benefited from a demand surge across the business as our customers were in desperate need of labor during the post-COVID recovery, creating a year-over-year headwind. Setting this factor aside, our sequential revenue trends remain consistent with typical historical patterns.

PeopleScout is our highest margin segment, representing 14 percent of trailing 12-month revenue and 33 percent of total segment profit. PeopleScout is a global leader in selling permanent positions through our recruitment process outsourcing services. PeopleScout revenue declined 15 percent in Q1 as a result of a reduction of permanent job openings at our clients. We have seen some clients slow hiring, while others have paused activities altogether.

PeopleManagement represents 30 percent of trailing 12-month revenue and 10 percent 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. Revenue was down 13 percent in Q1. We have seen less volume at the e-commerce warehouses for our onsite retail clients as consumer spending patterns have shifted.

Now, I'm going to spend a few minutes talking about our strategies. Our strategy at PeopleReady is to digitalize the business model, to gain market share, improve efficiency, and take the friction out of each step of the transaction with associates and customers. The United States temporary day labor market is highly fragmented and primarily made up of smaller competitors in the industrial staffing segment where PeopleReady operates.

This market is also less complex than other types of staffing and has the best opportunity for digitalization. Our smaller, more regional competitors lack the ability to invest in digital applications like JobStack. When combined with our expansive brick-and-mortar branch network, we are a one-stop shop for national and local accounts, making us a leading provider within the on-demand industrial staffing market.

At PeopleScout, our aim is to capitalize on a strong service reputation and ability to hire in high volumes to gain market share within the RPO industry that has consistently produced double-digit annual revenue growth in favorable economic conditions. PeopleScout is a market leader in the RPO space as a result of its people and Affinix, our recruiting platform. Both enable us to place better talent faster in all types of market conditions. As we move forward, we plan to target new high-growth sectors for us, such as life sciences and technology. Our positive track record in penetrating healthcare, depth of experience, and our technology makes this possible.

PeopleManagement's strategy is to supplement our traditional onsite staffing services with higher-margin product offerings like onsite workflow solutions and commercial trucking as well as expand geographically within the United States to increase market share.

We believe we are positioned well for a strong recovery as we serve customers in some of the fastest-growing segments, and we have taken the proper steps to be nimble yet strong in our preparation to be the supplier of choice in connecting people and work. Now, I'll turn the call over to Taryn, who will discuss specifics on some key priorities this year.

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## **Taryn Owen**

Thank you, Steve. From a big-picture perspective, this quarter provided a solid proof point for the value of our flexible business model. We struck a careful balance between ongoing investments in our people and technology and cost actions to align with client demand. At PeopleReady, the investments in our people are paying off.

First, we have made a concerted effort to maintain staffing levels in the field. In addition, we have enhanced our sales training with the on-demand business and have embedded account managers to cover new markets within skilled trades. These tactics are playing a key role in the steadiness of our underlying revenue trends.

At PeopleScout and PeopleManagement, we have leveraged our scalable model to align with lower hiring activity from our clients. We scaled down with agility late in the first quarter in an effort to bring our cost structure in line with demand. And, just as we did during the COVID downturn, we are staying extremely close to our clients, so that when they return to expansion mode, we will be there to meet their needs and scale back up with the same urgency and effectiveness.

Now, I would like to provide some updates on the priorities I discussed during our last call. We are in the midst of a multiyear digital transformation. Investments in our platforms are essential and will help us better service our clients, attract workers, and support our people. Our PeopleReady JobStack application and PeopleScout Affinix recruiting platform enable us to provide differentiated experiences to those we serve.

With JobStack, we are focused on attracting and retaining more associates by enhancing their overall experience. We are on track with various upgrades, including faster associate registration and simplifying the time-entry process. These product enhancements will lead to increased client fill rates and increase associate retention, both of which will lead to higher customer satisfaction and ultimately more wallet share.

Affinix is our PeopleScout recruiting platform designed to meet candidate expectations for a seamless experience. Affinix combines many facets of the recruiting process, including recruitment marketing, applicant tracking, candidate relationship management, and interviewing to quickly bring a highly qualified talent pool to our clients. As I mentioned, the flexibility of our business model is critical to our clients. The ability of Affinix fulfills this need, allowing us to scale up and down to meet their hiring needs.

While technology is an important business enabler, our relationships with our clients, candidates, associates, and employees are essential to our success. Our employees fulfill our mission to connect people and work each and every day. Our team has worked hard to ensure that our people have the right tools, training, and skills to meet our clients' needs, and they continue to broaden the depth of our learning and development activities with a concentration on sales effectiveness.

By enhancing the team's ability to bring solutions to our clients while maintaining the appropriate staffing levels across our business, we are positioned to meet our clients' demands across all business cycles. I look forward to providing further updates on our technology and people priorities on future calls.

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

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## **Derrek Gafford**

Thank you, Taryn. Total revenue for Q1 2023 was \$465 million, a decrease of 16 percent and in line with our outlook. As we've mentioned, PeopleReady benefited from a demand surge in the prior year period as the peak of the post-COVID recovery left our customers in desperate need for labor. As expected, the surge did not repeat this year, contributing 9 percentage points of total revenue decline. The remaining 7 point decline reflects the company's underlying revenue trend.

Given the macroeconomic climate, we are pleased to see another quarter of steady underlying revenue trends in our PeopleReady business with weekly sequential revenue trends following typical historical patterns. As we mentioned last quarter, during times of macroeconomic uncertainty, we typically see the first signs of slowing demand in our PeopleReady business due to the project-based nature of the work and short length of job assignments. And that is exactly how things have played out over the last 12 months.

PeopleReady was the first to experience slowing demand, and the PeopleScout and PeopleManagement businesses followed suit this quarter. We posted a net loss of \$4 million this quarter, down from net income of \$11 million in Q1 last year, while adjusted EBITDA declined to \$3 million versus \$23 million in Q1 last year, due primarily to the revenue decline. As a reminder, Q1 is seasonally our lowest revenue quarter, creating a more pronounced impact on year-over-year profitability. The net loss experienced this quarter is not indicative of our expectations for the remaining quarters this year.

Gross margin of 26.5 percent was up 110 basis points. The expansion was driven by better workers' compensation results from the favorable development of prior year reserves as well as disciplined pricing in our PeopleReady business. Our PeopleReady business delivered its eighth consecutive quarter of positive spread between bill rate and pay rate inflation.

SG&A as a percentage of revenue increased 450 basis points, mostly due to operational deleveraging, given the revenue drop, which is magnified by the first quarter being our seasonal low point in revenue. SG&A dollars increased \$2 million, or 2 percent, primarily due to people investments in the PeopleReady business.

As discussed on prior calls, we believe we reduced our staffing levels too low during the recession of 2020, leaving some of our PeopleReady branches without adequate resources to acquire new customers and maintain strong relationships with existing customers. Q1 headcount this year is consistent with headcount in Q3 and Q4 of last year but up a bit from Q1 last year.

While we are not planning on making additional investments in our staffing levels at this time, we do believe the people investments we made last year have had a role in maintaining a steady underlying revenue trend over the last two quarters despite economic uncertainty increasing.

For PeopleScout and PeopleManagement, we've taken a different path. Revenue softened during the quarter, and we took action to reduce our costs. As a result, we expect to yield \$11 million in cost savings over the remainder of 2023. About a quarter of the savings will flow through cost of services with the remainder flowing through SG&A. Our effective income tax rate was a benefit of 13 percent and in line with our outlook.

Now, let's turn to the specific results of our segments. PeopleReady revenue decreased 17 percent while segment profit decreased 95 percent, and segment profit margin was down 500 basis points. As we've mentioned, PeopleReady benefited from a demand surge in the prior year period, which accounted for 16 points of the year-over-year decline.

The remaining decline of 1 point reflects PeopleReady's underlying revenue trend for the quarter, which was roughly in line with the underlying revenue decline for this business unit in Q4 2022. The drop in segment profit and related margin came from the revenue decline and operational deleveraging, which were partially offset by lower workers' compensation expense and favorable bill pay spreads. Bill pay spreads have remained strong with bill rates up 7.9 percent and pay rates up 7.1 percent, resulting in a positive spread of 80 basis points.

PeopleScout revenue decreased 15 percent, while segment profit decreased 19 percent, and segment profit margin was down 60 basis points. As expected, RPO business volumes declined this quarter as clients responded to the macroeconomic environment. We've seen some clients slow hiring while others have paused their hiring activities, taking a wait-and-see approach.

With the cost reduction actions previously discussed, our goal is to generate a segment profit margin of 10 to 15 percent over the remainder of 2023, assuming stable macroeconomic conditions. PeopleManagement revenue decreased 13 percent, with segment profit dropping to breakeven, and segment profit margin was down 190 basis points.

Demand declined in both onsite and commercial driving services as economic uncertainty led to lower client volumes, most notably in retail and transportation. The decline in segment profit and related margin was mainly due to the decrease in revenue and the associated operational deleveraging.

Now, let's turn to the balance sheet and cash flows. Our balance sheet is in great shape. We finished the quarter with \$47 million in cash and no outstanding debt. The business produced cash flow from operations totaling \$9 million. We repurchased \$25 million of common stock during the quarter, leaving \$64 million remaining under our authorization.

Now, I'd like to take a moment to provide additional color on some forward-looking items. We expect a revenue decline of 14 to 10 percent in Q2 2023, which is an improvement to the 16 percent decline posted in Q1 this year. The improvement is tied to a less challenging prior year comparison.

One last thing before we wrap up. As a reminder, the 2023 fiscal year will have 53 weeks, which is a typical occurrence every five to six years, since we operate on a 52-week fiscal year versus a calendar year. This extra week will provide incremental revenue for the year of \$22 to \$27 million but will not contribute additional profit as the 53<sup>rd</sup> week is an annual low point for weekly revenue.

For additional details on our outlook, please see our earnings presentation posted to our website today. This concludes our prepared remarks. Operator, please open the call for questions.

## **QUESTION AND ANSWER SECTION**

### **Operator**

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions]

Our first question is from Kartik Mehta with Northcoast Research. Please proceed with your question.

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### **Kartik Mehta**

Thanks. Maybe just your thoughts on what the first few weeks of April look like and maybe the trends you saw coming out of the quarter and start of the next quarter, if you saw any changes.

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### **Derrek Gafford**

Hi, Kartik. It's Derrek here. So, let me just touch on that question for the quarter, the monthly trends, and maybe then I'll just ease into April to bring them both together. So, the monthly trends in Q1 were very similar to the 16 percent decline. Everything was within a point or two of that so not much volatility in that, and we finished right around that level.

Going into April, the year-over-year decline at PeopleReady is diminishing. That's really, though, all about the prior year comparison being less challenging. We've talked about the surge that we've had in our prior year comparison for Q4 and here in Q1. That gets less challenging as we move into Q2. Now, that's really for the staffing side of the house.

From a PeopleScout perspective, while we haven't posted our revenue yet here in Q2, we bill monthly. One thing that I will bring up is we do expect the year-over-year decline to increase for PeopleScout.



It's less about the sequential revenue dropping off more, although there might be \$2 or \$3 million. It's more due to Q2 of last year was a record quarter for PeopleScout everywhere, both in revenue, bottom-line dollars. The segment profit margin of 23 percent was a high point. So, that's providing a more challenging comparison across a few fronts, most notably on the revenue line. So, you might see PeopleScout edge up closer to a 25 percent decline in Q2.

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**Kartik Mehta**

And then, just from your perspective, as you look at your end markets, what differences you're seeing in end markets, if any.

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**Derrek Gafford**

Sure. Well, there's probably two or three high points and some low points, I guess you could call it here, depending on your take, given the environment. Probably one of the biggest movers for us was in the area of retail. The retail business for us is down 40 percent year-over-year here in Q1. The majority of that is about the prior year comparison. We had a lot of projects in this surge that we had in the prior year period, at PeopleReady, a lot of it had to do with retail.

That said, there is a little bit of softening in the run rate with retail as well, while retail spending on the consumer side is actually holding up pretty well. If you talk to our customers, the main thing where we're seeing some slowdowns in retail, it's really about inventory levels, which I think is pretty consistent with the increase from a broader perspective on inventory levels across the United States. So, that's on the manufacturing and the retail side.

A high point is our energy business. Our energy business, renewable energy business, is up about 45 percent. That's a business that is about an \$80 million run rate and increasing. It's one that we're very excited about and bullish about. So, maybe I'll turn that one over to Taryn and give you a little bit more operational color on that, that business unit.

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**Taryn Owen**

Sure. Thanks, Derrek. Certainly, the government incentives that were put in place this year have helped fuel some opportunities for us in the renewable energy space, particularly within solar farms. We are a leader in this space with over a decade of experience.

But, when we start to look at our new business wins and the pipeline that has been growing here, we've got just a tremendous pipeline. It's grown 10 times over prior year, and our RFP volume is really healthy. We're responding to over 10 opportunities each and every week here as we exit Q1. So, we're really bullish on this opportunity for PeopleReady.

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**Kartik Mehta**

And, Derrek, just one last question. As you look at trying to rightsize the business or make cost cuts, I wonder how much will play into not losing quality people since it's been so hard. So, do you think this time around, you might be a little bit conservative and not rightsize the business as much as if it was a normal type of recession or a normal type of labor environment?

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**Derrek Gafford**

Yeah. I'm glad you asked that question. When we're growing, we're investing. And when we're not growing, we're making adjustments. And you saw some of those adjustments that we made here this quarter in our PeopleManagement, particularly our PeopleScout business. Those are hard adjustments for us to make, but we think they were smart adjustments to make.

And what I mean by that is whenever we're doing any type of cost work, we're trying to make a balance between the benefits that will come from reducing the cost structure and our ability to grow long-term gross profit dollars. In this particular case, actions that we took in Q1, while tough and impacted some people, which we don't like to do, we don't think that that made any hampering of our ability to spring back strong after, well, we'll see if we go into recession. But, when things get to better times, and the economy starts growing at a more robust pace, we think that won't hold us back at all.

Over on the PeopleReady side, we've taken a different route. We have not cut positions there. As a matter of fact, our headcount is up about 120 or 130 over Q1 last year but stable with where we were in Q3 and Q4. And we cut a lot of costs in 2020. A lot of those costs are still out of the business. And at the end of the day, we look back at what we did in 2020 and just said, we cut too far. We can't run branches in the way that we want in local markets without branch managers. We can't run branches with two people, at least not effectively.

So, we want to keep ourselves positioned really well for the long term and hold onto good people that know our business, that know how to interact with customers. And as much as we're making progress on the digital front, this is still a relationship business, and we're going to stay true that. So, that's kind of how we're taking a look at things, Kartik.

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**Kartik Mehta**

Thank you very much for your thoughts. I appreciate it.

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**Operator**

Thank you. Our next question comes from Jeff Silber with BMO Capital Markets. Please proceed with your question.

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**Jeff Silber**

Thanks so much. That's close enough. Derrek, you were kind enough to give us a little bit of color on the segment data in terms of revenues. I think you mentioned PeopleScout. Can we get the same kind of color for both PeopleReady and PeopleManagement for 2Q guidance?

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**Derrek Gafford**

Oh, as far as what we're expecting from a revenue perspective that's embedded in the overall guidance?



**Jeff Silber**

Yes, please.

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**Derrek Gafford**

Yeah, you bet. So, we gave ranges. I'm not going to quote ranges to you. I'm just going to the midpoint of the ranges and give you some numbers. So, we'd expect PeopleReady to be down about 10 percent, PeopleScout to be down about 25 percent, and PeopleManagement to be down around 10 percent.

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**Jeff Silber**

Okay. Forgive me if you gave this out. I must have missed it. I appreciate it. In the quarter, you had a workers' comp benefit in terms of, I guess it's a recouping of some of the reserve. What drove this? And can you remind us when you update this reserve? Is it quarterly or semiannually? And should this be something we should expect, going forward?

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**Derrek Gafford**

Well, we get an independent actuary report every quarter. So, we always keep a watchful eye on the workers' compensation reserves, both the current year reserves and what we should be accruing for, as well as where reserves should be in prior years. Yeah, so we did get a sizeable decrease to reserves in the prior years.

As we take a look at the rest of the year, we'd expect there to be a little bit of a headwind from workers' comp. We've put up some sizeable benefits too in the back half of 2022. And so, if you take a look at our gross margin guidance while we're up, Q1 this year over Q1 last year, we're expecting gross margin to be about flat for the year.

Some of that is because of workers' compensation. Some of that is because of, we expect bill pay spreads, to still stay positive but diminish some as we move through the quarter. So, that gives you a little bit of color on workers' compensation, Jeff, and expanded to cover the gross margin line in whole.

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**Jeff Silber**

Okay. That's really helpful. Just if I can sneak in one more, you have a slide here about the strength in your balance sheet. And, again, it's very impressive, especially in this kind of environment. From a capital allocation perspective, I know you bought back about \$25 million in shares last quarter, what should we expect, going forward? More of the same? Are you taking advantage of maybe some, what's going on in the market, potentially pick up some M&A? Any color would be great.

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**Derrek Gafford**

Yeah, you bet. Well, when it comes to capital allocation strategies, our first priority is reinvesting in the business. And we've got a healthy amount of CapEx. That's not an area that we have cut back on. And when I say CapEx, the vast majority of this is about technology. Our business and the industry is becoming more digitalized all the time. We're a leader there. We want to stay a leader in that.

And we're going to stay committed to that both to differentiate ourselves in the marketplace and take advantage of the strong operating leverage that we've got but also to increase our efficiency. So, that's job number one. Job number two would be on the acquisition side, probably less so on the staffing business side. We've got our hands full with a lot of great stuff digitalizing the business. And we think that's our best return at this particular moment is continuing our focus there.

On the RPO side, that's a different ballgame. We are interested in doing some acquisitions that would give us a greater presence in different niches of different industries to get us into more deals, win more deals, and potentially some on an international basis that would increase our likelihood of winning multinational deals.

And then, lastly, as you pointed out here, returning capital back to shareholders is important to us, especially at advantageous prices. And we think our company right now at this particular moment is valued very economically. So, we did buy back \$25 million of stock. We'll also see, when you take a look at the 10-Q, in between the close of the quarter and the end of last week, we bought back about another \$10 million. So, that's kind of how we see our capital priorities at this point in time, Jeff.

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**Jeff Silber**

Okay. Thank you so much for the color.

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**Operator**

Thank you. Our next question comes from Mark Marcon with Baird. Please proceed with your question.

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**Mark Marcon**

Good afternoon, everybody. Wondering, Steve or Taryn, can you talk a little bit more about the, some of the markers in terms of the digitization strategy and JobStack? And what further improvements should we see with regards to the ease for people to register and what you think that would translate to from a business perspective?

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**Steve Cooper**

Hey, thanks, Mark, for the question here. It's an important topic for us, taking the friction out of the transaction between our associates and ourselves, not making it so difficult. So, your question is right in the middle of the bull's eye of what we think is important and what we're working on for digitization.

The, with the customer, it's not appearing to be the most important thing, but we still want to take friction out of that transaction and help them be able to order workers as fast as possible. So, let me have Taryn talk a bit more about those specifics, but I kind of wanted to chime in first to let you know that it remains our highest priority, taking this friction out of a pretty complicated process of finding a job for somebody. And we can make it easier, and we stay committed to that.

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**Taryn Owen**

Yeah, just to add some color, certainly JobStack has allowed us to maintain constant contact with our customers and our associates. And when we look at some of the enhancements that we're making,

it's really around taking some of that friction out, as you mentioned, Mark, in terms of allowing associates to register for a job faster, which just really reduces the time it takes to get them on an assignment and to get paid.

One of the other key enhancements we're working on is to improve the ease of time entry and approval, so, again, our associates can get paid faster and be ready to take their next assignment with us. But, when you think about kind of everything that we're doing in the product to enhance that experience, it's really about taking that friction out and ensuring that our associates and customers can engage with us in an effective way, in the way in which they want to engage.

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**Mark Marcon**

Can you elaborate a little bit on that, Taryn, just like how long does it take the average person to register? How, what's the goal in terms of like registration speed? And then, you used to give us some metrics in terms of the percentage of jobs that were filled through JobStack on the PeopleReady side. Do you have any updates there just in terms of some of the typical metrics that you used to give us?

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**Taryn Owen**

Yeah, sure. So, when we think about the amount of jobs that are filled through the app, about two-thirds of all of our jobs at PeopleReady are filled through that experience. We have up to 90 percent of our associates utilizing the app, and we've had 30,000 customers engaging at any given time, so that's remained pretty consistent for us.

In terms of registration, we are just looking to reduce the number of steps it takes for an associate to get registered with us. So, we want them to be able to register and get out on an assignment with, in 10 minutes or less, ideally, for us to go through the process.

And it really depends on what kind of a job an associate is looking for and what kind of pre-employment qualifications are required for any particular customer. But, when you think about an associate being able to register quickly and get engaged, see jobs, take jobs with the appropriate requirements, we want them to do that very quickly.

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**Mark Marcon**

Great. And then, I'm wondering just from a macro perspective, it's great to hear that your trends, particularly on the PeopleReady side, have been consistent with normal historical seasonal patterns on a week-by-week basis and kind of holding flat. How do you, where do you think we are from a macro perspective because a lot of the data points that are national and widely disseminated seem to be getting a little bit worse. And so, do you think we've seen the worst of it, or how are you thinking about that?

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**Derrek Gafford**

Hi, Mark. It's Derrek here. I'll take that one. If you talk to our customers, what all our customers have to say, there is an increasing amount of uncertainty. Some of it's about those data points that are edging themselves down. A lot of it too has to do with an accumulation of a lot of negative press. Over

the last 20 years, I don't think there's been any recession, if, in fact, we had one, that's been this anticipated.

So, there's been a lot of news out there. And it accumulates. And it makes an impact on confidence. And that uncertainty has showed up in some other metrics. You take a look at the back half of last year, and the economy did grow at a pretty decent clip, all things considered. But, it's all coming from the consumer. Business investment was negative. I've never seen our industry grow when business investment is negative.

So, those are the clouds. I think the bright spot, the sun breaks, if this is a weather forecast, is the job market. The talent pools are still really tight. Most of our customers expect them to remain that way. And they're holding on to their employees. They're holding on to their employees, and employees are getting some confidence from that. They're continuing to spend.

I mention that because what it comes down for a lot of our customers is that if there is a recession, because of where we're at, with tight labor pools, and a reluctance to lay people off, which, as you know, most every severe recession has widespread job layoffs. The job layoffs have a cascading impact on consumer spending and then into business investment. And most of our customers just aren't anticipating that.

So, I don't know, Mark, if we're through the worst of it or not. But, from what we're hearing from our customers, if we do get into something, most are expecting this to be relatively shallow to what we've seen in recessions over the past 20 years.

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**Mark Marcon**

Great. And then, can you give us an update with regards, on the PeopleReady side, what you're seeing on the construction side?

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**Derrek Gafford**

Yeah, construction has actually been a little, one of the more resilient industries. So, Taryn already talked to you about our renewable energy, that part of construction, which has been growing quite nicely for us and we're optimistic about. When it comes to construction overall, excluding that piece of the business, so kind of your bread-and-butter commercial and residential, that was down 7 percent, which was a slight improvement to being down 11 percent in Q4 of last year.

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**Mark Marcon**

That's great to hear. And on the renewable side, how big could that part of the business get to over the next couple of years?

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**Derrek Gafford**

Well, it's hard for us to say, but, to give a number on this. But, the amount of investment and incentives that were put through last year is huge. Our pipeline is continuing to grow. We've got a lot of experience in this industry. So, there have been times when, in this industry, where we've had other peaks.

This is something, with the level of reinvestment that's coming from the incentives that are out there, this is something that we can see can have multiple years and lots of legs behind it, so hard for us to give a number in it. But, I can tell you that we grew 45 percent here in Q1. Our guidance for Q2 in that particular segment is to grow about a similar amount. So, what we're seeing right now looks pretty good, Mark.

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**Mark Marcon**

That's great to hear. Thank you.

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**Steve Cooper**

Yeah. I'll throw on that, Mark. I can't hesitate to talk about our own preparedness, not just the size of the environment or the size of the opportunity that's growing. I don't believe we've ever been as prepared as we are for an opportunity like this. So, I think you match the two up, and it's real solid.

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**Operator**

Thank you. Our next question is from Marc Riddick with Sidoti & Company. Please proceed with your question.

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**Marc Riddick**

Hi. Good evening, everyone.

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**Derrek Gafford**

Hey, Marc.

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**Marc Riddick**

So, I wanted to first of all thank you for the forward-looking commentary in the presentation and certainly in prepared remarks. I was wondering if you could talk a little bit about, I think you made mention as far as bill pay spreads and the positive of what you saw there. I was wondering how that figures into your forward commentary, maybe what you're thinking for the second quarter/remainder of the year as far as bill pay spreads and how resilient that can be. And then, I have one last follow-up.

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**Derrek Gafford**

Yeah. Thanks for that question, Marc. So, the spread between bill rates and pay rates was 80 basis points here in Q1. Our outlook for the entire year is 60 basis points. So, that gives you some idea of how we're expecting things to kind of phase down a little bit throughout the year. We expect bill pay spreads to remain positive because we're not expecting widespread job cuts. If that were to happen, that's a whole different ballgame.

The reason we've got some diminishing bill pay spreads is just the environment that we're in. Look, the fed has been really clear about their monetary policy, it's a pretty restrictive policy. It's going to be

with us for a little bit. And because of that, we would expect some more belt tightening to happen with our customers. That said, we think we're providing a really good value on our PeopleReady business. Labor is still tight. We're able to find it quickly. And we're finding really good talent for our clients. And the economics are showing themselves in the bill pay spread. So, that's kind of how we would expect to see it play out the rest of this year, Marc.

The other thing is we want to be compensated for the value that we're providing. But, we also want to make sure that we don't price ourselves out of the market. This, everything is going to turn at some point, and we want to make sure our business, we have the right people in place, we have the right technology investments, and that our price point, we don't want to be the cheapest in town, by any means, but we don't want to be head and shoulders above the rest when things turn, to make sure that we're still in the right ballpark when it comes to pricing to capture the opportunities that come with a rebounding economy.

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### **Marc Riddick**

Excellent. And then, I would be remiss to not sort of acknowledge there's been some announcements of leadership and appointments in various areas over the last few quarters as well as just a couple of weeks ago. And so, I was wondering if you could talk a little bit about some of those and maybe if there are other sort of key areas that may need still to be filled and maybe sort of where we are in that process because, certainly, and congratulations to those who are in new roles, but I was sort of wondering sort of kind of if you're sort of toward the end of that process as far as those important leadership appointments.

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### **Steve Cooper**

Well, Marc, thank you for the question, and I know it's not an easy one to ask. But, we are excited about the three promotions that were announced here a few weeks ago, all very much customer- and operations-focused roles. And it really excites us to see people prepared inside well-trained, ready, been here, experienced, been in multiple positions before they were promoted.

I'm going to have Taryn talk about these three roles that we just announced a couple weeks ago. They report to her, and they're helping her meet her objectives in operations. I think it's best coming from her to talk about these three people. But, yeah, it's real exciting, so thank you for the question there.

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### **Taryn Owen**

Yeah. Thank you, Marc, really happy to talk about this. So, Kristy Willis was promoted to the President of PeopleReady. Kristy has been with PeopleReady since 2018, recently serving as our Head of Sales and Operations. She brings 20 years of experience in all aspects of the staffing industry. Rick Betori is, has been promoted to the President of PeopleScout. Rick has been with TrueBlue since 2011 and has broad experience across our business units, both in digital transformation and in operations. He most recently served as PeopleScout's Managing Director of the Americas.

And then Caroline Sabetti was promoted to the Chief Marketing and Communications Officer for TrueBlue. She has been with us since 2002, and she has served as the Chief Marketing Officer for PeopleReady and PeopleScout and as the Senior Vice President of Communications for TrueBlue. So,



we couldn't be more excited for these three individuals or for the organization as they take on these roles.

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**Marc Riddick**

Excellent. Thank you very much.

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**Operator**

Thank you. There are no further questions at this time. I would like to turn the floor back over to Steve Cooper for closing comments.

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**Steve Cooper**

Thank you. We sure appreciate you dialing in and your questions and your interest in TrueBlue, and we remain committed to the shareholder at this point in time on these principles we've talked about today and look forward to updating you on our next call.

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**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.