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TBI - Q3 2014 TrueBlue Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q3 2014 TrueBlue earnings conference call. My name is Mark and I will be your operator for today. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to Stacey Burke. Please proceed.

Stacey Burke - *TrueBlue, Inc. - VP, Corporate Communications*

Thank you and welcome. We appreciate everyone joining us for our call today. Please note that on this conference call management will reiterate forward-looking statements contained in today's press release and may make or refer to additional forward-looking statements relating to the Company's financial results and operations in the future. Although we believe the expectations reflected in these statements are reasonable, actual results may be materially different from the forward-looking statements set forth in today's press release and presentation slides, which were filed in an 8-K today. Examples of factors which could cause results to differ materially can also be found in our most recent filings with the Securities Exchange Commission.

The discussion today also contains certain non-GAAP financial measures. Information relating to comparable GAAP financial measures may be found in the press release and presentation slides which are posted on our website at www.TrueBlue.com. We encourage you to review that information in conjunction with today's discussion.

On this call today is TrueBlue's CEO and President, Steve Cooper; and CFO, Derrek Gafford. I will now turn the call over to TrueBlue's CEO, Steve Cooper.

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Thank you, Stacey. Good morning, everyone. Today we reported 2014 third-quarter revenue grew 40% to $633 million, which produced $42 million of adjusted EBITDA and $0.54 of adjusted net income per share. We are pleased with the success of our growth strategies, which produced record revenue and profit growth this quarter.

On the first day of the quarter we completed the acquisition of Seaton and have had a very successful first 90 days together. The acquisition included the industry-leading brands of PeopleScout, HRX, and Staff Management. The operations and results in the third quarter for these new brands performed as expected. And we remain excited about the future growth opportunities we now have in the recruitment process outsourcing business along with our ability to serve large accounts with on-premise services.

The RPO business is a fast-growing segment of the human capital space. PeopleScout and HRX are positioned well in this space with award-winning service delivery. Staff Management is serving some of the largest and fastest-growing companies in the United States. We are proud of the quality each of these brands deliver and excited about how they will help shape TrueBlue as we continue to grow and develop our service capabilities.

For our legacy business we have continued to make progress in building a more efficient business model through the use of technology and combining certain leadership and sales teams across our industrial staffing business lines. This has allowed us to close 52 branches year to date while maintaining the revenue in those combined markets. Cost savings related to those 52 closings will continue to show up in our leverage as we continue to grow revenue with a more stable base of cost. For the most part we have retained the employees in the closed branches while we transition the customer and worker base. We expect to see expanding EBITDA margins through 2015 as a result of these closings.

Our third-quarter organic growth was impacted by our energy business sector. Throughout 2014 we have had delays in project startups and have continued to project the revenue into the next quarter. We continue to serve the energy sector very well, as we have had close to $20 million in revenue in the third quarter. That compares to our peak of approximately $30 million per quarter at the end of 2012. We feel comfortable at this point with between $15 million to $20 million per quarter going forward in our energy sector. Although this has created a drag this quarter in our organic growth, we do not estimate that will continue after Q1 of 2015.

Our organic growth excluding energy was 5%, right at our expectation. This has been a busy quarter for us, and with the bulk of Seaton integration behind us the fourth quarter remains just as exciting. Bringing the leadership teams together quickly from the newly acquired businesses with our existing leadership team has jumpstarted the process of offering a broader range of solutions to all our customers. In addition to the temporary staffing services we have traditionally provided, we can now do more for customers through sourcing, screening, and onboarding their on-premise temporary employees and permanent employees.

We remain enthused with the organic growth opportunities in our business. We are in the right service lines that are showing demand. With our focus on a broader spectrum of capabilities for our customers, we have the opportunity even to improve our growth rates from here. From general labor to skilled construction to workforce management and recruiting full-time positions, we find ourselves well-positioned in sectors that are growing.

We are also encouraged that are EBITDA margins can continue to expand from here. Our goal to surpass 6% EBITDA margins and even continue to grow beyond that is within reach.

Let me turn the call over to Derrek for further analysis and commentary. Derrek?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Thanks, Steve. As a reminder, we purchased SeatonCorp effective the first day of the third quarter 2014. To increase comparability of the prior-period performance I will occasionally use the term legacy TrueBlue, which excludes the results of Seaton. In my commentary any reference to our performance is based on comparison to the same period a year ago unless stated otherwise. I will be discussing adjusted EBITDA and adjusted earnings per share, both of which exclude nonrecurring acquisition and integration costs.

Adjusted earnings per share was $0.54 this quarter, which was above our midpoint expectations of $0.47, mostly from a lower effective income tax rate. Total revenue grew by 40%, producing $633 million of revenue for the quarter, which was $7 million less than our midpoint expectation. The recently acquired Seaton business is performing well and in line with our expectation.

Organic revenue in legacy TrueBlue experienced softer revenue trends in our green energy practice as the revenue falloff from completed projects has outpaced the immediate pipeline of new business. This will create a quarterly headwind of $10 million to $15 million until prior-period comparisons largely anniversary at the end of Q1 next year.

Here's a little more color on our organic revenue trends. Organic revenue growth for the quarter was 2% or 5% excluding energy. As a basis of comparison, organic growth in Q2 this year was 3%, or 4% excluding energy.

Gross margin was 25.2% and 50 basis points higher than our midpoint expectation from lower workers compensation expense and disciplined pricing of services. In Q2 we successfully increased bill rates for the $1 an hour increase in the California minimum wage, including our standard markup. We have a strong track record of increasing our rates to include a variety of statutory cost increases and are confident in our ability to do so in the future.

Compared to Q3 last year, gross margin was 30 basis points better after excluding the impact of the TWC and Seaton acquisitions, which both carried lower gross margins than our legacy TrueBlue business.

Now let's discuss sales, general, and administrative expense. Compared to Q3 last year SG&A was $30 million higher due to the following: $20 million of ongoing operating costs from the Seaton acquisition, $3 million of ongoing operating costs from the TWC acquisition, which hits its anniversary in September this year; $2 million of acquisition and integration costs; and $5 million of other costs.

Adjusted EBITDA margin of 6.6% for the quarter was 80 basis points lower than Q3 last year due to seasonal business mix from acquisitions. While annual adjusted EBITDA margins in our recent acquisitions are comparable to our historical margin, they are less than the seasonal Q3 peak for our legacy TrueBlue business, bringing the blended company average down in comparison with Q3 of last year. Excluding the Seaton and TWC acquisitions, adjusted EBITDA margin for legacy TrueBlue was comparable to Q3 last year.

Our effective income tax rate was lower than expected due to additional income tax benefit from the Worker Opportunity Tax Credit. While this program has not renewed for 2014, benefits for prior-year programs are coming in more than expected. An increase in the average credit driven by elevated qualification rates and a larger mix of higher-credit workers such as veterans produce the benefit.

Now for a couple points on the balance sheet -- we finished the quarter with about $30 million of cash, which we expect to operate with going forward. Debt was nearly $180 million and will increase to roughly $240 million as we enter Seaton's peak revenue quarter during the fourth quarter. As we end Q1 of 2015 and accounts receivable deleverages, the extra cash will be applied to our debt, bringing it down to about $160 million.

Now, let's discuss our revenue and profitability expectations for Q4 2014 and 2015. For Q4 we expect total revenue of $695 million to $705 million or revenue growth of about 55%, which includes the following assumptions: Seaton revenue of $247 million to $253 million and legacy TrueBlue revenue of $445 million to $455 million. This represents flat organic revenue growth or 4% excluding energy.

We expected adjusted earnings per share of $0.44 to $0.49, which excludes about $1 million of nonrecurring Seaton integration costs. We expect the integration of Seaton to be complete by the end of Q2 2015.

Consolidated adjusted EBITDA should be $41 million to $44 million, comprised of the following assumptions: Legacy TrueBlue adjusted EBITDA of $27 million to $29 million and Seaton adjusted EBITDA of $14 million to $15 million. Here are some additional consolidated assumptions. Gross margin should be 22.3% to 22.7%, CapEx of $4 million to $5 million, and an effective income tax rate of 40%.

Also provided today in our earnings release deck is an outlook for 2015. With the size of the Seaton acquisition, we felt it was important to provide a future annual look at the consolidated business as well as each of the legacy TrueBlue and Seaton businesses. For simplicity, point estimates have been provided versus the use of ranges. These point estimates should not be interpreted as a sign of increased visibility or precision in our ability to forecast, since the fundamental value proposition is the contingent nature of our services, allowing customers on short notice to adjust their use of our services.

For 2015 we expect consolidated revenue growth of about 22%, broken down as follows: 14 points of consolidated growth from the Seaton acquisition, which will hit its anniversary as we start the third quarter. Revenue from this point is considered organic. The remaining eight points of consolidated revenue growth is comprised of six points from legacy TrueBlue and two points from Seaton. The two points of consolidated organic contribution from Seaton is based on a 10% growth rate assumption in the second half of 2015 in comparison with the second half of 2014.

Consolidated adjusted EBITDA for 2015 is expected to be about $150 million, representing growth of over 25%. This produces an adjusted EBITDA margin of 5.6% versus the 2014 margin of 5.2% on a pro forma basis, which assumes we own Seaton for all of 2014. On a reported basis which only includes our period of ownership, adjusted EBITDA will be 5.4% or 20 basis points higher than pro forma, as our reported results during 2014 include Seaton's peak revenue and EBITDA quarters.

A variety of additional information on our strategies, financial position, performance, and details on the expectations as shared today can be found in our press release, earnings release deck, and the roadshow presentation located on our website.

That's it for our prepared comments. We can now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kevin McVeigh from Macquarie.

Kevin McVeigh - *Macquarie Research - Analyst*

I wonder if you could give us a sense what drove the falloff in the green energy. Was that a function of where oil has been or is that something that has been a little bit longer term in the making here?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes, that's -- it has gradually come at us this year with our clients in that space of the types of projects and the location of projects that have been under a shift over the last 12 months. So there's definitely a different makeup of projects here at the end of 2014 headed into 2015 then we had in 2012. 2012 was very California-oriented and the projects are shifting a bit, headed towards the Southeast. And they are a little bit smaller projects. So yes, there has definitely been a shift, Kevin, in the types of projects we are serving.

Kevin McVeigh - *Macquarie Research - Analyst*

And then is Boeing, Steve -- is that even a factor at this point or how are we thinking about Boeing going forward?

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Yes; it's a great client for us still but we are not forecasting it to return to its peak levels. It's very stable at this point in time and therefore it's like any other customer. It's large still, but it's not so large that we have to talk about it and tell you the shifts in revenue.

Kevin McVeigh - *Macquarie Research - Analyst*

Okay. And then just switching to the 2015 guidance, it seems like the revenue relative to consensus here is pretty much spot on. But there's a pretty significant delta on the EPS. Can you help us understand is that just a different tax rate? Or where is the delta on where we are relative to the earnings, relative to consensus?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes; the consensus that's out there compared with ours -- I think the consensus is a little bit higher, maybe $3 million to $4 million of EBITDA. Kind of start there. It's a tough one to reconcile because some folks are using adjusted EBITDA, some are not. That could contribute to it as well. I think the tax rate out there is closer to 38% on a blended average of consensus versus what we are showing here at 40%. And I think where there's a little bit of difference in the D&A line, which is somewhat to be expected when we do an acquisition of this size. While we gave the annual outlook for that, it's still tough to get into the consensus a bit. And hopefully the guidance that's given today helps with all that.

Kevin McVeigh - *Macquarie Research - Analyst*

Very helpful, thank you very much.

Operator

Randy Reece from Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Derrek, could you give us an idea of where intangible amortization is running right now and how much that is in the D&A in your guidance?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes. Let me do a couple things here, Randy. I want to make sure everybody is straight on the amortization with the Seaton acquisition. So right now where we are -- I'm going to give it to you on a quarterly basis for Q3 of this quarter. Depreciation -- D&A overall was $9.7 million. That was broken down by, let's call it, $6.2 million of depreciation and $3.5 million of amortization. So if you annualize those numbers, that takes you to about $39 million. Our 2015 forecast has $40 million in it.

I think it's important as we talk about this subject to talk about the incremental that has come on here from Seaton and the components of it, because there's one part I want to bring to everybody's attention and make sure they are clear on. The annual depreciation and amortization from Seaton going forward will be about $17 million. So I'm talking $17 million on a four-quarter annual basis. $8 million of that is traditional amortization of intangibles. There's $5 million of traditional depreciation, so normal CapEx and depreciation related to that.

There's something in between here that I'm going to call amortization-like depreciation. So there's $4 million to that's going to be in depreciation, but it's more like traditional amortization. And what this is -- it's the increase in the market value of Seaton's IT systems and products. So when we do an acquisition we've got to bring everything to fair market value. This is $4 million of annual depreciation going forward that will drop off in the future. So there you have it. You have $17 million going forward.

Randy Reece - *Avondale Partners - Analyst*

All right, very good. And the adjustment -- you reduced fourth-quarter revenue guidance for Seaton by about $5 million. Could you discuss the performance of the pieces of Seaton versus your expectations in the third quarter and the change in your outlook?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Well, to be clear, where we are with Seaton right now is if we take a look at our results in the third quarter and the guidance we gave today for the fourth quarter, that will bring us to about $400 million of revenue during the back half of 2014 from Seaton, and EBITDA in the range of $22 million compared to what we talked about last quarter was a range of EBITDA during that same time period for Seaton of $21 million to $23 million. So I think we are, compared to the last time we talked, we are hitting pretty much right in the middle of that.

As far as the performance of Seaton, the business there, all components of that business are growing quite nicely right now. I don't know that there's a special call-out on any of the segments' operating performance.

Randy Reece - *Avondale Partners - Analyst*

Thank you very much.

Operator

Jeff Silber from BMO.

Henry Chien - *BMO Capital Markets - Analyst*

This is Henry Chien calling in for Jeff. I just had a question on the outsourcing Seaton business. Looking at the guidance for fourth-quarter, it looks like it was taken down from your prior guidance in terms of EBITDA. Could you just comment on what's going on there?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes. I think that's what we just talked about here. If we take a look at what our guidance was in the third quarter for Seaton, we hit that pretty much right on the mark. For the fourth quarter, if you add that guidance that we gave for the fourth quarter and what we did in Q3, that's going to put us at EBITDA of about $22 million, really right in the range of what we last talked about.

Henry Chien - *BMO Capital Markets - Analyst*

Got it, got it, understood. In terms of the slowdown for the energy sector, I know you mentioned there were some delays in projects. Is there anything else that we should be thinking about or anything that might extrapolate into the future? Thanks.

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Well, that business has changed a bit. Rather than be a handful of large projects, California-oriented, it's several small projects spread out through the South, mostly the Southeast, a little bit still in California. But the shift and makeup of those is changing.

The California-based projects had higher bill rates. They were more prevailing-wage projects. We have had a shift of the type of labor were putting on these projects and not as much high skilled; it's more general labor. And so the dynamics have shifted a bit, but the numbers we have given today reflect what our future optimism is for that business -- that it's going to stay strong; it's just not going to be where it was at its peak at the end of 2012, starting 2013.

Henry Chien - *BMO Capital Markets - Analyst*

Okay, great. thank you very much.

Operator

(Operator Instructions) Brian Davis from Bank of America.

Brian Davis - *BofA Merrill Lynch - Analyst*

We've talked in the past about the construction market excluding, obviously, energy projects. Can you talk more about trends you are seeing there and what you expect moving forward? Thank you.

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes; the organic trends across -- I'm just going to talk -- this is about legacy TrueBlue right now. The trends across most of the industries we served was really right around that mid single-digit organic growth rate. Call it, five points was about where our -- that's where our blended average was. We just didn't have, really, many callouts here in differences in industries compared to that blended average.

Now, with construction, it's right in there. We'd like to see that higher; that's a point of focus for us, so we are not yet satisfied with that growth rate in construction right now. But it's not very different from the overall average we are seeing in the other industries.

Brian Davis - *BofA Merrill Lynch - Analyst*

Okay, very good. Thanks, guys.

Operator

Paul Ginocchio from Deutsche Bank.

Paul Ginocchio - *Deutsche Bank - Analyst*

Could you talk about the incremental margins you're expecting into 2015 from both Seaton and your core business, the TrueBlue business? Thank you. Incremental EBITDA margins there.

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes. So if we take a look at -- what I'm going to do is I'm going to talk about gross profit conversion rates, if you don't mind, because the margins are a bit different between the two businesses. But the bottom line is roughly the same.

So for the legacy TrueBlue business we've got a very strong incremental gross profit conversion rate in that. If you run the numbers as you get to spend some more time with it, it's above 60%. So that's a very strong conversion rate for us.

The Seaton business, while you don't have the full annual look at this, is approximately the same conversion rate. Both of these businesses convert gross profit at a strong rate.

Paul Ginocchio - *Deutsche Bank - Analyst*

So that 60% you are talking about for 2015 -- how does that compare to your expectations for 2014?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

For Seaton?

Paul Ginocchio - *Deutsche Bank - Analyst*

For both.

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Well, on the legacy TrueBlue business it's a bit less than that. And it has been a little bit noisy because of acquisitions, so we got to strip acquisitions and such out of there. But put it to apples-to-apples terms on the legacy business with what we talked about before, a gross profit conversion rate of 60% is an incremental EBITDA margin of about 15 points for TrueBlue. We are a bit south of that, particularly with the recent acquisitions and the slowdown in the revenue growth. We need strong, at least mid-single digit organic revenue trends to hit that conversion rate.

Paul Ginocchio - *Deutsche Bank - Analyst*

On Seaton, is it looking -- does that 60% gross margin conversion rate in 2015 -- is that better or worse than what you think you are going to do in 2014?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

That's a little bit better.

Paul Ginocchio - *Deutsche Bank - Analyst*

So if I heard you right, legacy TrueBlue is a little worse and Seaton is a little bit better?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Going forward, they are at about the same. If we were to talk about 2014 both are little bit under that conversion rate. And you have to understand I'm comparing Seaton, what were -- how our performance is on 2014 to the numbers that they were using for 2013, when the business was sold. So those were maybe a little bit more optimistic. If we adjusted for that I suppose the conversion rate would be closer to the 60%.

Paul Ginocchio - *Deutsche Bank - Analyst*

Great, thank you very much.

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

The fundamentals of both these businesses are very well intact, both at Seaton and what they are doing. That business model is right where we expect it to be. And with TrueBlue, the same thing other than the organic revenue trends not at the level that we would expect.

Paul Ginocchio - *Deutsche Bank - Analyst*

Maybe if I could sneak one more in, you are closing a lot of branches. I would have thought your incremental conversion rate of gross margin would actually go up into 2015 with the branch closures. But that doesn't seem to be the case. What am I missing?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Well, it's in there at about 60%. So it's still very healthy. The branch closings have added a bit to our conversion rate here but this is still early-on guidance here. We are at the third quarter and putting an annual number out there. We are not giving a lot of detailed assumptions here. But I think if you run the numbers it's closer to 65% conversion rate for legacy TrueBlue. That would be at an all-time high for us.

Paul Ginocchio - *Deutsche Bank - Analyst*

Great, thank you.

Operator

(Operator Instructions) Mark Marcon from Baird.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Good morning and thanks for providing all the detail. Just on Boeing, just to make sure I have that right, you are basically looking at this $20 million annualized run rate. Is that correct, in terms of what you saw during the third quarter and what you are projecting for the fourth quarter?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

That's correct.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

And then can you just give the quarterly detail with regards to these green energy projects, because that seems to be the primary source of the delta in terms of the organic growth rate relative to the expectations? So, I was wondering if you could dissect that, if possible, by quarter.

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

So let me give you -- I will give you Q3 of 2014 and Q3 of 2013. Energy was about $17 million for Q3 2014 and about $28 million for Q3 of 2013.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Was that $28 million fairly consistent with what you ended up seeing across the quarters in 2013?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes, that was pretty consistent. It stepped up a bit in Q4 of 2013 to probably another $5 million from that. In my prepared comments what I've given you all is that the headwind hear from the energy business is going to run about $10 million to $15 million a quarter going forward. Let's call it, $15 million in Q4 of 2014, maybe $10 million-ish as we get into the first quarter of 2015. And as we get to Q2 of 2015 that will largely be gone. Now, that's assuming roughly a $20 million revenue run rate and no pickup in that as we move into next year.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

So you are assuming that by Q2 it gets to $20 million and so therefore would be -- is there any chance that you think that maybe, just given the change in natural energy prices or traditional energy prices, that perhaps some of those projects may end up getting delayed a little bit further?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Well, I think there's some good opportunities here on the horizon. As Steve mentioned, one of the things that's happening right now is we have some larger West Coast projects that are coming to conclusion. In the Western part of the US has had -- been a big part of the energy growth here. Going forward, there will be a larger number of projects but smaller. Mostly that pickup is coming in Southeastern states, some of that because of some potential decommissioning of some coal plants. And we see some pretty good opportunity here in the Gulf region, outside of this but more focused on some of the natural gas conversion plants that are being constructed. So I think that's a high-level overview of some of the opportunities on the horizon.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And then with regards to the impact of the branch closures, can you talk a little bit about that just in terms of how you are thinking that that is impacting in any way, shape, or form the organic growth rates that you are currently seeing, ex the energy impact?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes. So I would say that the impact from closing branches is running a little under 1% impact in our growth rate. It's going to round up to a point, so let's call it a point. However, that has been there. That impact was there in the second quarter and largely to the first quarter. So overall it's impacting the organic growth rate by, let's call it, a point. As far as the trajectory of the organic growth rate, where it is now compared to year-over-year comparisons the last couple quarters, that's not a factor.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Okay, great. And then can you talk a little bit about the progress in terms of the mobility initiatives and how that is ramping?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

Yes. So from a mobility perspective and our text messaging that is widely dispersed amongst our operations, is being used quite heavily. We are doing some more updates to that as we enter 2015 to get some more automated algorithmic matching going on in our customer base and our worker base. So from a mobility perspective we are excited about that.

We've also enhanced some of our recruiting efforts, particularly a variety of application and recruiting practices here on the TrueBlue side, mostly in the Labor Ready brand right now, which I think is going to drive some nice efficiency for us as well as increase our candidate pool, keeping us

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more relevant for those folks that want to apply online versus coming into a branch. Going into 2015 we will look at some opportunities to start expanding that to some of our other service lines. Little too early to talk about it more than that, though.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Great. And then just for the Seaton guidance that you've put out there, what are the primary areas of growth that you would expect in 2015 relative to 2014? Is it more skewed towards RPO or is it more skewed towards other areas?

Derrek Gafford - *TrueBlue, Inc. - EVP and CFO*

It's a little bit -- it's a little bit more elevated on the RPO side. However, we are -- really what is in there is about a 10% growth rate next year on the prior-period basis comparison. So RPO services, a little bit higher than that 10%, the OWM a little bit south of that but pretty consistent growth across each of those service lines.

Mark Marcon - *Robert W. Baird & Company, Inc. - Analyst*

Great, thank you.

Operator

I would now like to turn the call over to Steve Cooper for closing remarks. Please proceed, sir.

Steve Cooper - *TrueBlue, Inc. - President and CEO*

Thank you. We appreciate everybody joining us early this morning and your interest in our organization. We will update you as we move forward. Have a good day.

Operator

Thank you very much. That concludes today's conference. Thank you for your participation. You may now disconnect, and have a great day.
