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TrueBlue, Inc. (TBI)

Q1 2022 Earnings Call

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A. Patrick Beharelle
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OTHER PARTICIPANTS

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Kartik Mehta
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Analyst, Sidoti & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the TrueBlue First Quarter 2022 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Derrek Gafford, Executive Vice President and CFO, you may begin your conference.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

Good afternoon, everyone, and thank you for joining today's call. I'm joined by our Chief Executive Officer, Patrick Beharelle. 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 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.

With that, I'll turn the call over to Patrick.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

Thank you, Derrek, and welcome everyone to today's call. I am pleased to report our strong performance trends from 2021 continued into the first quarter, with all three segments capitalizing on widespread demand for our services, led by PeopleScout, which delivered a fourth consecutive quarter of revenue growth. Overall, revenue was $552 million, an increase of 20% compared to Q1 2021, marking the fourth consecutive quarter of double-digit growth.

PeopleReady revenue trends benefited from historically high bill rates and worker supply improvements, while contributions from new and existing client demand drove PeopleScout results. We are also pleased with the revenue growth in our PeopleManagement business, despite global supply chain challenges. These factors, along with our continued focus on improving operational efficiencies, produced net income of $11 million, an increase of $4 million compared to Q1 2021.

Let's take a closer look at the performance of each of our three segments, starting with PeopleReady. PeopleReady is our largest segment, representing 58% of total trailing 12-month revenue and 61% 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, as well as our JobStack mobile app.

PeopleReady revenue was up 17% compared to Q1 2021. Bill rates are at historic highs and outpacing pay rates, while worker supply continued to improve and performance within retail and hospitality was solid.

PeopleManagement is our second largest segment, representing 29% of total trailing 12-month revenue and 9% of total segment profit. PeopleManagement provides onsite industrial staffing and commercial driver services in the North American industrial staffing market. The essence of a typical PeopleManagement engagement is supplying an outsourced workforce that involves multiyear, multimillion-dollar onsite or driver relationships. We are very pleased with PeopleManagement's growth this quarter, with revenue up 8% compared to Q1 2021. Same-site sales in our onsite business produced year-over-year growth despite global supply chain challenges, and demand for our commercial trucking services remained robust.

Turning to our third segment, PeopleScout represents 13% of total trailing 12-month revenue and 30% of total segment profit. PeopleScout is a global leader in filling permanent positions through our recruitment process outsourcing services, as well as offering managed service provider solutions. PeopleScout delivered a fourth consecutive quarter of growth, with revenue up 76% compared to Q1 2021. Results this quarter benefited from a combination of the restaffing surge at existing clients that started to ramp in Q2 2021, higher employee attrition rates at our existing clients and new client wins.

Before turning to our strategies, I want to provide a bit of context for recent business trends. During the back half of March, we typically see a seasonal increase in PeopleReady revenue. This year, the ramp was less due to seasonal and project work in the retail industry that will not carry into Q2, as well as some clients taking a more measured approach to on-demand temp labor as a result of broader economic uncertainty. On the plus side, sequential growth for PeopleReady in April has been in line with historical norms. Revenue trends for PeopleManagement and PeopleScout continue to perform as expected.

Now I'd like to shift gears and update you on our key strategies by segment, starting with PeopleReady. At PeopleReady, our most important strategy is to further digitalize our business model to gain market share and improve the efficiency of our service delivery cost structure. The US temporary day labor market is highly fragmented and there are very few large players in the industrial staffing segment where PeopleReady competes, with the bulk of the market made up of smaller companies.

These smaller regional companies are typically not able to spend the type of investment required to deploy something like our JobStack mobile app. So this, along with our nationwide footprint, is what makes us a leading provider within industrial staffing.

At the center of our digital strategy is JobStack. The application has created a unique user experience for our associates and clients, allowing both groups to connect at any time. Since deploying the application nearly five years ago, associate adoption has grown to over 90%.

Turning to clients, total users of the application are 29,900, a 13% increase versus Q1 2021. We continue to focus on converting clients to heavy users. As a reminder, a heavy client user has 50 or more touches on JobStack per month, whether it's entering an order, rating a worker, or approving time. Overall, heavy client users account for 57% of PeopleReady US on-demand revenue compared to 44% in Q1 2021.

We've also seen continued growth in our digital fill rates, which have increased to nearly 60% with 792,000 shifts filled via the app during the quarter. Not only does JobStack provide a differentiated experience, but also it is a key enabler for our service center strategy, which aims to better serve existing clients and reach new ones more effectively.

The enhanced go-to-market approach increases operating hours by 25 hours per week, compared to a typical branch and includes repurposed job roles. This includes the addition of territory-based account managers responsible for expanding and building relationships with new and existing clients, and the reduction of non-client-facing positions resulting in a net cost reduction. We expect the new structure will deliver a greater sales focus and provide elevated customer service.

Last year, we successfully launched and later expanded the territorial coverage of two service center pilots. In addition, earlier this year, we opened a service center dedicated to skilled trades and added a fully virtual model to test. Results for all pilot locations continue to improve as we advance the operating model and apply learnings.

For example, we are learning the virtual model tends to have materially lower employee attrition, thus creating more continuity, potentially leading to better financial metrics relative to the other models. As we move forward, we will be closely assessing the progress of both physical and virtual models to develop the most ideal structure for the business.

Turning to PeopleManagement, our strategy is focused on execution and growing our client base. We continue to invest in our sales teams to enhance business development activities, and we remain focused on expanding our geographic footprint by targeting more local and underserved markets. Coming off a record level of new wins last year, PeopleManagement has secured annualized new business wins of $21 million this year, up more than 40% versus the three-year comparable average prior to 2021. The continued strength in new wins, as well as improving trends in existing client sales, are helping to offset recent global supply chain challenges. Additionally, we are investing in customer and associate care programs in an effort to better serve our clients' needs and improve retention.

Turning to PeopleScout, our strategy leverages our strong brand reputation to capture opportunities in an industry poised for growth. Many companies reduced or eliminated their in-house recruiting teams during the pandemic, and now we are seeing companies return to hybrid and fully outsourced models. Our ability to hire large volumes of workers has allowed us to meet the demand of our existing client base as they are re-staffing to pre-pandemic levels, specifically within travel and leisure.

To capitalize further, we made investments in our sales teams to expand wallet share at existing clients and obtain new clients. Our efforts continue to deliver strong results with annualized new wins of $12 million this year, up 27% versus prior year.

Our ongoing commitment to our digital strategies combined with our focus on improving operational efficiencies are driving operating margin expansion and creating a competitive advantage for us in the market.

I'll now pass the call over to Derrek, who will share greater detail around our financial results.

Derrek L. Gafford

Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

Thank you, Patrick. Total revenue for Q1 2022 was $552 million, representing growth of 20%. This growth was driven by strong overall demand as all three segments reported revenue growth for the quarter.

PeopleReady continued to command higher bill rates and capitalize on improvements in worker supply. PeopleManagement returned to growth this quarter despite global supply chain challenges, while PeopleScout continued to see heightened demand from both new and existing clients. We posted net income of $11 million, or $0.30 per share, an increase of $4 million and adjusted EBITDA was $23 million, an increase of $9 million.

Our net income and adjusted EBITDA margins grew 40 and 120 basis points, respectively, driven by revenue growth and gross margin expansion.

Gross margin for Q1 2022 of 25.4% was up 130 basis points. Our staffing segments contributed 110 basis points of margin expansion driven by 40 basis points from favorable bill/pay spreads, 30 basis points from increasing PeopleReady sales mix, which carries a higher margin than PeopleManagement, and 40 basis points split between workers' compensation and customer mix. PeopleScout also contributed from higher sales mix providing 20 basis points of benefit.

SG&A expense increased 24%, which was higher than our revenue growth of 20%, due to two factors. First, we are in the process of redesigning our front office technology for PeopleReady this year, which houses our applicant and customer tracking systems. As planned, we spent $3 million this quarter as we prepare to fully implement this system next year. These costs are excluded from adjusted EBITDA and adjusted net income.

Viewing SG&A growth on an adjusted basis results in an increase of 21%, essentially in line with revenue growth. Second, we are still lapping temporary cost cuts made in 2020. Since Q1 is our seasonally lowest volume quarter, it is also our low point in SG&A dollars making the lapping of these cost cuts more pronounced on a percentage basis. We expect year-over-year adjusted SG&A in the second quarter of 2022 to grow at about half of the rate it grew in Q1 2022. The bottom line is we are running the company more efficiently today than pre-pandemic due to our operational improvements and digital strategies. SG&A as percentage of revenue in Q1 2022 improved by 130 basis points in comparison with Q1 2019.

Our effective income tax rate was 16% in Q1 versus a tax benefit of 2% in the first quarter last year.

Turning to our segments, PeopleReady revenue increased 17%, while segment profit increased 37%, and segment profit margin was up 70 basis points. Bill rates grew at double-digits for the fourth consecutive quarter and outpaced pay rates, which boosted segment profit margin.

Average weekly associates put to work were up 12% year-over-year. We saw widespread growth from a geographic perspective with growth in 18 of our top 20 states. From an industry perspective, results were particularly strong in retail due in part to project and seasonal work and hospitality continues to deliver the strongest results.

PeopleManagement returned to growth this quarter as revenue increased 8%, however, we did see a slight pull-back in segment profit, which decreased 4% with 30 basis points of segment profit margin contraction. Our onsite businesses provided 3 points of revenue growth, and strong demand in our commercial driving business contributed the other 5 points of growth. The decline in segment profit margin was due to a benefit in the prior year's credit loss reserve.

PeopleScout revenue increased 76%, with segment profit up $7 million and over 400 basis points of segment profit margin expansion. This marks the highest quarterly revenue in the history of PeopleScout. These results reflect increasing volumes from same customer demand, most notably with travel and leisure clients, as well as new business. Operating leverage from higher sales volumes contributed to the improvement in year-over-year segment profit margin expansion.

Now let's turn to the balance sheet and cash flows. Our balance sheet is in great shape. We finished the quarter with $37 million in cash and $4 million in outstanding debt. The business is producing strong cash flows with year-to-date cash flow from operations totaling $26 million, and we returned $36 million of capital through share repurchases during the quarter, leaving $114 million of authorization.

For details on our outlook for the second quarter and full year 2022, please see our earnings presentation filed today.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Mark Marcon with Baird. Your line is open.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Good afternoon, Patrick and Derrek. Congrats on the strong results here in the first quarter. I'm wondering can you talk a little bit more about what you're seeing in terms of the centralization of offices that you initially started up in Chicago and Dallas and the progress that you're making in terms of the rollout in half of the markets that you discussed last quarter.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Hey, Mark. This is Patrick. Thanks for the question. As a reminder, the future state model for the service centers involves significantly more hours of coverage going from 60 hours to 85. Less reliance on brick and mortar branch locations, significantly more local feet on the street, essentially doubling our salesforce account managers and reducing non-client facing roles. We're making good progress. We're excited about how the service center pilots are coming along. As we mentioned earlier, in the prepared remarks, we expanded the Chicago and Dallas pilots to include Houston and rural Illinois, we've also expanded to include skilled trades and then we've rolled out a virtual service center as well for Baltimore and Washington, D.C.

In terms of what's going well, the client feedback has been very strong both for local and our national accounts. The number of client site visits that our teams are making is way up. The number of safety visits we're making is way up to make sure that we're placing workers in safe environments and we're seeing that and our safety metrics are improving across the board in the pilot locations versus the branch compare. JobStack usage is up in the service centers versus the compare group and one of the interesting findings that we've had is in the virtual service center turnover is orders of magnitude lower than in the branch model or in the centralized service model, which has some pretty significant downstream implications that are favorable.

In terms of what's not going well, we're operating on our current technology which was built for branch delivery, not a centralized or virtual models. We're having to do a lot of workarounds until we get the end state quality and system put in. The other thing that's been a little surprising, we thought the turnover would be quite a bit lower in the centralized locations versus the branches and that's not been the case. We've only seen that in the virtual model so far.

In terms of kind of where we're headed, there's a couple of open items that we're still working out. One of them is what the dominant model will be. Will it be a physical set of service centers or a virtual set of centers or some combination of the two? And still – we're still working that one out. And then the other open item is, as Derrek mentioned in his prepared remarks, we're upgrading our technology, particularly our front office system. And the timing of that is in the first quarter of next year. And so we're trying to sort of time out what's the best way to rollout the centers with the new technology or roll them out prior to the new technology. And so those are some of the open items, but the headlines are we're really encouraged and we've had a lot of learnings and obviously since we're expanding the pilots, we're pleased with the results.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. I mean, obviously, you're pleased with the results. Can you give us a sense for like what the rate of improvement or rate of growth has been in Dallas or Chicago, relative to the rate of improvement that you've seen in the markets where you haven't implemented the pilots?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, I appreciate the question, Mark, but we're not going to get into the details of the various metrics that we're tracking, we're going to keep those to ourselves for competitive reasons.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. But I mean, it would be – it would stand to reason that they're clearly doing better, no?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, I'd say this in some cases, yes, and in some cases, no.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Okay.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

I'll just leave it at that. We've had some cases where it's very encouraging and others not as much.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

All right. And then with regards to PeopleScout, continue to do really well there. You've mentioned leisure and hospitality, the specific clients that you have there that are seeing a surge. Any reason to believe that that surge doesn't continue in the near term, because certainly listening to some of your clients in leisure and hospitality, they're basically saying that they're seeing some pretty big increases. So I would imagine staffing remains a big challenge for them.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, it does. There's a lot of catch up that had to go on in the back half of 2021 and that continues. We're really encouraged with PeopleScout right now. You saw the growth rate of 76% in Q1. We think Q2 is going to be a very strong quarter as well. The other dynamic that comes into play is we're seeing a lot of health care companies interested in recruitment process outsourcing. When you look at our wins that we've had in recent quarters, it has been disproportionately tilted towards healthcare, a little bit in transportation, and retail, and hospitality. But healthcare has really been a hot area and we're excited about that because that's typically first time buyers. You don't see a lot of healthcare providers that had RPO engagements.

So we're seeing a lot of first time buyers, a disproportionate number compared to historical averages. Pipeline is very strong, so we're feeling very good about PeopleScout and not just the hospitality piece of it, but the entire portfolio of clients.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Great. And then the last question and then I'll jump back in the queue. Can you talk a little bit about your commentary about the second half of March? Just how widespread is that? Is it primarily just basically due to the retail clients that you mentioned with the special projects kind of coming off? Or is there something that's a little bit more widespread?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah, I'll let Derrek take that one to start, Mark, and I'll add some specific color. But Derrek, why don't you go ahead and take that one?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Sure. Hi, Mark. Thanks for the question. Yes, so what we're seeing the big picture, normally our second quarter sequentially compared to the first quarter taking the five-year average, we'd expect it to go up about 8%. But we're – what the trends right now suggest is about 4% and that's really about this part that we talked about with PeopleReady.

So that 4 points of drop, if you want to call it that, half of it's from retail. Our retail sector has been performing very strong and just like we called out in the fourth quarter, we had some seasonal project work that's not going to carry, but overall retail industry is still faring pretty well.

Then the second part is if we take a look at those last two weeks of March compared to the first two weeks of March and the sequential build that we would expect, it was pretty widespread across industries. Just a couple of points less here and 1, 3 points less in another, 5 points in one and a 1 point in another averaging out to about 2 points of this 4 points that we've talked about.

As we went into April, the good news is, is that April did build like we expected compared to the last two weeks of March. So everything's consistent there. We haven't recovered the build-up that we would have got had in our weekly run rate had March, back half of March come in as expected. But things are running consistent there. Interestingly enough, we haven't seen that in any softness at all or any pull back or any pause in our business on the PeopleManagement side and PeopleScout side, both of those are doing quite well. And what we're really talking about here with this sequential build that would translate into revenue growth for the second quarter if it continued at this pace of about 10% to 12%.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.
Q

Great. Thank you.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

And that's year-over-year growth.

Mark Steven Marcon
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah.

Operator: Your next question comes from the line of Jeff Silber with BMO Capital Markets. Your line is open.

Ryan Thompson
Analyst, BMO Capital Markets Corp. (Canada)

Q

Thank you. This is Ryan on for Jeff. While it doesn't appear your business is seeing an upcoming recession. The market is a little bit more pessimistic. What signs do you look for in your business to gauge a potential cyclical downturn?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Well, I'll go ahead and start off here. Patrick, you can take some as well. In staffing businesses, I think most would probably say some of the factors they look at are their own business. And we've taken a look at a lot of different aspects of the economy. And we could go down a list of a lot of the common ones that you'd take a look at.

I think this time around, we've all, of course, got our eyes on inflation and what the Fed's doing with interest rates. So we're not sure really where this goes. We've got a pretty experienced management team across the company that knows how to respond well to ebbs and flows. And this might just be more of an ebb and flow of how the economy trends itself out from here.

The other thing that we're taking a look at though as we're planning the business is, there's still 11 million jobs open in the country. And we're just not seeing anyone that has any opinion that that's going to go away any time soon. Most of those jobs are blue collar oriented, lower pay rate jobs. That's what we do really well. So we think our business has still got some legs here, but we'll take a look and see where things go economically. And we'll play the cards that we get dealt and so we can make the right adjustments that are needed depending on where the economy goes.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Yeah, Ryan, I'll just add a little color on that, this is Patrick. Clearly, there's a lot of uncertainties when we talk with clients around supply chain, inflation, worker supply and worker pay rates, geopolitical issues, lockdowns in China, the list goes on. But with all those caveats, the labor market remains very tight. So the demand is there.

And one of the things that I look at is what clients are doing with their purchasing patterns. And if you look at our year-to-date wins, they're up quite a bit. So people are still going out and purchasing RPO deals and large onsite deals and projects. And so the labor market is very tight.

Having said that though, there are some projects that have been pushed out. If you look at our alternative energy business, we have $12 million of business pushed out of Q1 and into the back half of 2022. And it was mainly due to supply chain issues. So there's definitely some uncertainty, but overlay that with the tightness of the labor markets and it feels like that demand is still there very strong.

Ryan Thompson
Analyst, BMO Capital Markets Corp. (Canada)
Q

Got it. And as a follow-up what drove the revision in the gross margin guidance? Are you seeing less of a headwind on that worker's comp expense?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Are you referring to our annual outlook?

Ryan Thompson
Analyst, BMO Capital Markets Corp. (Canada)
Q

Yes, I was.

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Well, a couple of things. One, our bill pay spreads are still doing really well, continuing to show really strong, maybe a little bit less headwind on the workers compensation. But you take where the revenue trends are headed both for PeopleReady and for PeopleScout, there's also a mixed benefit that's coming into play here as the gross margin for both of those businesses is higher than PeopleManagement, and those two businesses are growing at a faster clip.

Ryan Thompson
Analyst, BMO Capital Markets Corp. (Canada)
Q

Got it. Thank you.

Operator: Your next question comes from the line of Kartik Mehta with North Coast Research. Your line is open.

Kartik Mehta
Analyst, Northcoast Research Partners LLC
Q

Hey, good evening. Patrick, you talked a lot about JobStack and obviously that app is doing really well. I'm wondering, if you look at your absenteeism in JobStack versus the core business, what kind of difference are you seeing? Is there a difference or in this current environment, is it the same?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Well, first just to comment on absenteeism, we saw a modest spike when Omicron really got rolling again in December, January, February, a lot of folks were calling in sick or just not showing up at all. We've since seen absenteeism come back down to more historical levels. One of the advantages we have in JobStack is we do a lot of in-app marketing to the workers with incentives, with nudges, with reminders, with confirmations. And we've seen some pretty good results there. I don't have the numbers in front of me in terms of what those exact numbers are for JobStack positions that were filled by JobStack versus those that were not. Other than to say directionally, it's been moving in the right direction across not only PeopleReady but also PeopleManagement.

And just one other comment, that's somewhat related; if you look at our fill rates, it's been a little bit of a big story in PeopleManagement. We're back to more our historical norms. We're at around 90% on our fill rates, which is really encouraging. We haven't seen as big a lift in PeopleReady, partly because of the short-term nature of the assignments. We're still running in the low to mid-60s there for fill rates. But without JobStack, we'd be in a much, much worse position. So JobStack is absolutely helping with a fill rate perspective. And all those nudges and reminders and confirmations have to be having a pretty favorable impact as well. I just don't have the numbers in front of me, Kartik.

Kartik Mehta
Analyst, Northcoast Research Partners LLC

Q

No worries. Hey, Patrick, I just wanted to – your comments and Derrek's comments on a little bit of slowing in the second half, and maybe I'm getting too granular here. But you talked about 11 million jobs opening. You talked about your clients still needing workers, yet second half of March slowed down. I'm just trying to reconcile the statements you made around that. Is it simply that business is getting pushed out? Or do you think your clients have just accepted this kind of environment and have stopped looking for people?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, we did some digging into specifically where we saw the ramp not happen as it typically has, or some of the retail roles that didn't quite come on as fast as we had thought. And here's a couple of themes that we found. The first one was definitely supply chain-related. There were several clients around lack of materials and delays and things of that sort that didn't ramp to the same degree that they have in the past. We had one situation where a client had been doing a lot of construction, it was a retail client, and that construction got halted because of material shortages. And so a lot of the people that we had on billing came off billing for that particular client.

And then, in another instance, we saw a client shift their mix of full time and temporary resources to tilt heavier towards full-time resources, because they thought it would create a more attractive value proposition for some of their workers and they had the confidence that they were going to need those workers long term, so they shifted their mix from temp to full time. So it's a little bit of a supply chain issue and a little bit of shift mixing from temp to full time were the primary reasons that we saw in the retail space.

Kartik Mehta
Analyst, Northcoast Research Partners LLC

Q

Perfect. And just one last question, just on your share repurchase, is this more than you had anticipated going into the year? Or is this kind of in line with what you were expecting to get completed by now?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.

A

Hi, there. This is Derrek. I'll take that one. This is about where we expected. Our share repurchases last year were very – basically de minimis because we had some things to cover, working capital and repayment of the payroll taxes that we were allowed to defer under the CARES Act. But if you take a look back to our history, where $36 million is really kind of right in the sweet spot of an average and sometimes more than that.

So the business is doing really well as far as strong cash flows. We don't have debt. We don't have any other big investments that we've got to make. And so this is right about where we expected and this may not be the last bit that we purchase. By the way, this will be in our 10-Q that we filed today. We also purchased another $13 million on a 10b5-1 plan as we entered the quarter. So that brings our total closer to $50 so far that we've repurchased this year.

Kartik Mehta
Analyst, Northcoast Research Partners LLC
Q

Perfect. Thank you very much. Appreciate it.

Operator: Your next question comes from the line of Marc Riddick with Sidoti. Your line is open.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

Good evening.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Good evening, Marc.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

So I was wondering if you could talk a little bit about the – going back to worker availability and supply and what you saw there. I was wondering if you could spend a little time talking about maybe sort of what that either the pace was like, or maybe either timing, or that type of thing. Just a little sort of more color around maybe what you saw kind of – like what you knew and when you knew it, that kind of thing. But also whether or not there was anything that you think is likely to persist into 2Q and how we should think about it from a big picture standpoint?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah, Marc. Are you referring to the that last couple of weeks in March that we commented on in PeopleReady?

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

I believe so, yes, yes.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah. Derrek, do you want to maybe start with that one and then I'll add some commentary around worker supply?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Yeah. So, Marc, was the question about worker supply in those weeks or just in general?

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

Right. I was asking about the improvement in worker supply just...

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Okay.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

...basically in that and then if there was any kind of read-through or anything about it that might be predictive at all?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Well, I'll start right here and Patrick can weigh in. When it's come to worker supply, we haven't seen that contracting at all. Actually, we've been seeing that expand a bit. We talked about this during the fourth quarter. We felt like our business had been overly impacted by some of the government stimulus. Many of our folks don't want to work full time. And so they make decisions based on where their bank account is. So I don't know if I would call this a read-through to the overall supply out there in the broader economic sense.

But ours has continued- supply has continued to look strong. So, for example, compared to the average number of people that were applying for as in December, if you look at it on a weekly basis, and as we entered into the first quarter, that grew by about a 1,000 people or so a week. So we haven't seen any reversal of trends on the worker supply side; if anything, a bit better.

Patrick, anything else you want to add to that?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Yeah. Just a couple of things. I definitely want to reiterate the supply is continuing to improve. Our applicant growth was up 20% in Q1. When we look at the weekly trends, the applicants are very strong over the last six weeks, which translates into more hires. We're getting more people through the process. Our unique workers are up. They're up around 9%, driven mostly by those new hires that we've had.

So we're definitely not feeling like supply is waning. This was more of a demand situation at a handful of clients that was – well, maybe more than a handful of clients but there were a couple of big ones that were part of that two-week pullback that we saw. So I wouldn't read into it that we're seeing waning supply. It was more on the demand side than the supply side.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

Okay. Got you. And then, I was wondering if you could talk a little bit around the commentary of the – within PeopleManagement sort of the – you know, talking about the driving demand, which is understandable, they're continuing to be strong. I was wondering if you could talk a little bit about the availability there and maybe if there's an opportunity to see more of that either through overall training activity or anything like that.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

Well, that is the question, Centerline was up 28% in the first quarter. So really strong quarter, which is our – just for everyone listening, that's our driver business. And it's probably one of the hottest areas right now other than maybe nurse staffing; driver staffing is in very high demand. And that is the million dollar question around how do you go out and get more drivers. And there are some that have chosen to make investments in driver training and certifications and things of that sort. We've not – we're looking more for experienced drivers and putting them to work. So it's a very hot area, clear shortage of drivers and an area that we're pretty focused on.

Derrek, do you have anything you want to add on drivers?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

No, I think you've covered it well.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

Okay. Excellent. Then the last thing for me is, wondering if you could talk a little bit about these – if there are any verticals that we haven't touched on yet, end-market verticals that you think have the opportunity to sort of perk up demand-wise or be more demand drivers in the latter half of the year than maybe the first half of the year?

Derrek L. Gafford
Executive Vice President & Chief Financial Officer, TrueBlue, Inc.
A

Sure. I'll take that one. I think the ones that we've seen so far are going to continue to weigh pretty strong. Retail and hospitality have been particularly strong in our PeopleReady business. Our other groups as well but particularly PeopleReady. You take a look at the shortages that there are back to that 11 million in jobs, a lot of these are at very low pay rate types of roles. And so you get into retail that fits, and we all know that retail's been doing strong. Hospitality's not only bounced back really strong, but the number of job openings there is huge.

And so our business really caters to that. And you have this with restaurants, too, but the contingent staffing model just doesn't suit it as well as hospitality. So those are big areas for us, both PeopleReady, PeopleManagement, PeopleScout. And as Patrick mentioned, we think we've got some opportunities ahead of us from the pipeline, what we're seeing out there when it comes to – in the medical area. So we're excited about that as well.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.
A

I'd just add one, Marc, just the alternative energy, the building of the solar farms, a lot of those have gotten pushed out from Q4 and Q1. And when we talk with our clients, they tell us they have secured the materials, which was the reason for the delays. And so I think you'll see a pretty strong back half for us in the alternative energy space, where we've just had a backlog of installations that have been pushed out.

Marc Riddick
Analyst, Sidoti & Co. LLC
Q

Okay. Great. And then, last one for me. I wanted to go back to – one of the things you had mentioned, if I remember this correctly, or if I've gotten this right, was the receptivity from clients both national – on local level and national account level to the evolving strategy, and I was wondering – the service centers. And I was wondering if you could talk a little bit about – maybe talk a little bit more about – are you getting a sense of that receptivity is a greater maybe upside for national accounts, or is there something about that offering that you think will – that might appeal more to national accounts versus local accounts? Or how we should be thinking about that?

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

A

Well, it's a big part of our strategy to have more people that are client-facing. And when you essentially more than double the number of people that you have locally that are out just making calls on clients. If you hired the right people, those tend to work out pretty well. And so the feedback we've gotten, and this is both from local and national clients, is that they're very appreciative that we're coming out, we're learning their business, we're making sure that the business environment there that we're bringing the right people that match the need for our workers. They're very appreciative because we're making more safety visits than we have in the past, and just making sure that it's a safe environment.

We've got the right PP&E for those workers. And as I mentioned, we're seeing that in our safety metrics that they – where we've run these pilots, that the safety metrics have been much better than our compared group. And so we're just getting a lot of good feedback from folks and, hey, I really like that you guys are coming out more often and really trying to learn our business and making sure that you're checking in with the workers and that they're having a good experience. And that's a big part of the premise behind the switch to the service centers is to take a bunch of cost out that's behind the scenes through automation and digitalization and the efficiencies with centralization, free up those dollars and then invest them in client-facing resources.

And so you've really hit, Marc, on one of the key rationale for doing what we're doing, which is to get more people out talking with clients and selling business.

Marc Riddick
Analyst, Sidoti & Co. LLC

Q

Great. I appreciate it. Thank you.

Operator: And with no further questions at this time, I'll turn the call back to CEO, Patrick Beharelle, for closing remarks.

A. Patrick Beharelle
Director & Chief Executive Officer, TrueBlue, Inc.

Well, thanks, everyone for joining today's call and thanks to all the TrueBlue associates for the great work that they're doing. We look forward to speaking with you all again on our Q2 earnings call that will take place in late July. So stay safe, everyone.

Operator: This concludes today's conference call. Thank you for joining. You may now disconnect.