

KFORCE INC
Form 10-Q
May 04, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-26058

Kforce Inc.

(Exact name of registrant as specified in its charter)

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FLORIDA
(State or other jurisdiction of
incorporation or organization)

59-3264661
(I.R.S. Employer
Identification No.)

1001 East Palm Avenue

TAMPA, FLORIDA
(Address of principal executive offices)

33605
(Zip-Code)

Registrant's telephone number, including area code: (813) 552-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock as of May 2, 2011, was 42,989,639.

Table of Contents**KFORCE INC.****QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2011****TABLE OF CONTENTS**

PART I	FINANCIAL INFORMATION	
Item 1.	<u>Financial Statements.</u>	3
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	27
Item 4.	<u>Controls and Procedures.</u>	27
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings.</u>	29
Item 1A.	<u>Risk Factors.</u>	29
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	29
Item 3.	<u>Defaults Upon Senior Securities.</u>	29
Item 4.	<u>Reserved.</u>	29
Item 5.	<u>Other Information.</u>	29
Item 6.	<u>Exhibits.</u>	30
	<u>SIGNATURES</u>	31
	SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS	

References in this document to the Registrant, Kforce, we, our or us refer to Kforce Inc. and its subsidiaries, except where the context otherwise requires.

This report, particularly Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Part II, Item 1A, Risk Factors, and the documents we incorporate into this report, contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are made in reliance upon the protections provided by such acts for forward-looking statements. Such statements may include, but may not be limited to, projections of revenue, income, losses, cash flows, capital expenditures, future prospects, anticipated costs and benefits of proposed (or future) acquisitions, integration of acquisitions, plans for future operations, capabilities of business operations, effects of interest rate variations, our ability to obtain financing and favorable terms, financing needs or plans, plans relating to services of Kforce, estimates concerning the effects of litigation or other disputes, estimates concerning our ability to collect on our accounts receivable, expectations of the economic environment, developments within the staffing sector including, but not limited to, the penetration rate and growth in temporary staffing, as well as assumptions as to any of the foregoing and all statements that are not based on historical fact but rather reflect our current expectations concerning future results and events. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and MD&A sections. In addition, when used in this discussion, the terms anticipates, estimates, expects, intends, plans, believes, will, may, could, should and variations thereof and similar expressions are intended to refer to forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. Future events and actual results could differ materially from those set forth in or underlying the forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this report, which speak only as of the date of this report. Kforce undertakes no obligation to publicly publish the results of any adjustments to these forward-looking statements that may be made to reflect events on or after the date of this report or to reflect the occurrence of unexpected events.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****KFORCE INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME***(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)*

	Three Months Ended	
	March 31,	March 31,
	2011	2010
Flexible billings	\$ 252,289	\$ 218,763
Search fees	10,099	7,893
Net service revenues	262,388	226,656
Direct costs of services	183,875	158,511
Gross profit	78,513	68,145
Selling, general and administrative expenses	67,223	60,940
Depreciation and amortization	3,336	2,976
Income from operations	7,954	4,229
Other expense, net	316	374
Income before income taxes	7,638	3,855
Income tax expense	2,798	1,147
Net income	4,840	2,708
Other comprehensive income:		
Defined benefit pension and postretirement plans, net of tax	22	25
Comprehensive income	\$ 4,862	\$ 2,733
Earnings per share basic	\$ 0.12	\$ 0.07
Earnings per share diluted	\$ 0.12	\$ 0.07
Weighted average shares outstanding basic	39,836	39,257
Weighted average shares outstanding diluted	40,897	40,387

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

Table of Contents

KFORCE INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 448	\$ 1,055
Trade receivables, net of allowances of \$3,145 and \$4,021, respectively	163,151	148,507
Income tax refund receivable	1,598	5,675
Deferred tax asset, net	4,950	4,950
Prepaid expenses and other current assets	6,646	5,014
Total current assets	176,793	165,201
Fixed assets, net	37,443	38,130
Other assets, net	34,150	32,941
Deferred tax asset, net	8,907	8,907
Intangible assets, net	7,427	7,787
Goodwill	138,078	138,078
Total assets	\$ 402,798	\$ 391,044
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 30,728	\$ 30,602
Accrued payroll costs	53,248	54,461
Credit facility	25,340	10,825
Other current liabilities	1,486	4,185
Income taxes payable	1,230	250
Total current liabilities	112,032	100,323
Long-term debt	1,842	2,103
Other long-term liabilities	35,325	34,801
Total liabilities	149,199	137,227
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, \$0.01 par; 15,000 shares authorized, none issued and outstanding		
Common stock, \$0.01 par; 250,000 shares authorized, 68,452 and 66,542 issued, respectively	685	665
Additional paid-in capital	362,368	355,869
Accumulated other comprehensive loss	(1,458)	(1,480)
Retained earnings	66,819	61,979
Treasury stock, at cost; 25,477 and 24,823 shares, respectively	(174,815)	(163,216)
Total stockholders equity	253,599	253,817
Total liabilities and stockholders equity	\$ 402,798	\$ 391,044

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED

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Table of Contents

KFORCE INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	Three Months Ended March 31, 2011
Common stock – shares:	
Shares at beginning of period	66,542
Issuance of restricted stock	1,569
Exercise of stock options and stock appreciation rights	341
Shares at end of period	68,452
Common stock – par value:	
Balance at beginning of period	\$ 665
Issuance of restricted stock	16
Exercise of stock options and stock appreciation rights	4
Balance at end of period	\$ 685
Additional paid-in capital:	
Balance at beginning of period	\$ 355,869
Issuance of restricted stock	(16)
Exercise of stock options and stock appreciation rights	2,453
Income tax benefit from stock-based compensation	1,162
Employee stock purchase plan	79
Stock-based compensation expense	2,821
Balance at end of period	\$ 362,368
Accumulated other comprehensive loss:	
Balance at beginning of period	\$ (1,480)
Pension and postretirement plans, net of tax	22
Balance at end of period	\$ (1,458)
Retained earnings:	
Balance at beginning of period	\$ 61,979
Net income	4,840
Balance at end of period	\$ 66,819
Treasury stock – shares:	
Shares at beginning of period	24,823
Open market repurchases of common stock	443
Shares repurchased for minimum tax withholding on restricted stock, stock option exercises and stock appreciation rights	89
Shares tendered in payment of the exercise price of stock options	131
Employee stock purchase plan	(9)

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Shares at end of period		25,477
Treasury stock cost:		
Balance at beginning of period	\$	(163,216)
Open market repurchases of common stock		(7,696)
Shares repurchased for minimum tax withholding on restricted stock, stock option exercises and stock appreciation rights		(1,573)
Shares tendered in payment of the exercise price of stock options		(2,389)
Employee stock purchase plan		59
Balance at end of period	\$	(174,815)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

Table of Contents**KFORCE INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(IN THOUSANDS)*

	Three Months Ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities:		
Net income	\$ 4,840	\$ 2,708
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Deferred income tax provision, net		(14)
Depreciation and amortization	3,336	2,976
Stock-based compensation	2,821	1,395
Recovery of bad debts on accounts receivable and other accounts receivable reserves	(911)	(21)
Pension and postretirement benefit plans expense	1,099	1,008
Alternative long-term incentive award	3	280
Deferred compensation liability increase, net	838	603
Tax benefit attributable to stock-based compensation	1,162	1,453
Excess tax benefit attributable to stock-based compensation	(826)	(1,010)
Gain on cash surrender value of Company-owned life insurance policies	(626)	(218)
Other	42	41
(Increase) decrease in operating assets:		
Trade receivables, net	(13,733)	(18,700)
Income tax refund receivable	4,077	(879)
Prepaid expenses and other current assets	(1,632)	(1,977)
Other assets, net	6	46
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	47	1,031
Accrued payroll costs	(1,075)	(2,968)
Income taxes payable		