TrueBlue, Inc.
Form 10-Q
August 05, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: June 26, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-14543

TrueBlue, Inc.
(Exact name of registrant as specified in its charter)

Washington	91-1287341
(State of incorporation)	(IRS Employer Identification No.)
1015 A Street, Tacoma, Washington	98402
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (253) 383-9101

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 ý 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 ý 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	x	Accelerated filer	¨	Non-accelerated filer	¨	(Do not check if a smaller reporting company)
Smaller reporting company	¨					

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of July 13, 2015, there were 41,958,517 shares of the registrant's common stock outstanding.

TrueBlue, Inc.
Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
TRUEBLUE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value data)

ASSETS	June 26, 2015 (unaudited)	December 26, 2014
Current assets:		
Cash and cash equivalents	$21,288	$19,666
Marketable securities	—	1,500
Accounts receivable, net of allowance for doubtful accounts of $7,226 and $7,603	324,021	359,903
Prepaid expenses, deposits and other current assets	15,811	18,778
Income tax receivable	6,442	10,516
Deferred income taxes, net	6,123	5,444
Total current assets	373,685	415,807
Property and equipment, net	56,805	61,392
Restricted cash and investments	164,673	168,426
Goodwill	241,855	241,855
Intangible assets, net	126,835	136,560
Other assets, net	44,124	42,631
Total assets	$1,007,977	$1,066,671
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$55,377	$50,256
Accrued wages and benefits	72,295	69,692
Current portion of workers' compensation claims reserve	61,753	64,556
Other current liabilities	2,691	2,726
Total current liabilities	192,116	187,230
Workers’ compensation claims reserve, less current portion	185,549	178,283
Long-term debt, less current portion	99,750	199,383
Deferred income taxes, net	18,911	19,768
Other long-term liabilities	15,215	12,673
Total liabilities	511,541	597,337
Commitments and contingencies (Note 9)		
Shareholders’ equity:		
Preferred stock, $0.131 par value, 20,000 shares authorized; No shares issued and outstanding	—	—
Common stock, no par value, 100,000 shares authorized; 41,962 and 41,530 shares issued and outstanding	1	1
Accumulated other comprehensive income	600	871
Retained earnings	495,835	468,462
Total shareholders’ equity	496,436	469,334
Total liabilities and shareholders’ equity	$1,007,977	$1,066,671

See accompanying notes to consolidated financial statements

Table of Contents

TRUEBLUE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Revenue from services	$627,714	$453,227	$1,201,029	$849,290
Cost of services	475,748	333,644	919,227	630,148
Gross profit	151,966	119,583	281,802	219,142
Selling, general and administrative expenses	117,859	96,354	229,452	188,336
Depreciation and amortization	10,397	5,247	20,917	10,408
Income from operations	23,710	17,982	31,433	20,398
Interest expense	(881)	(322)	(2,047)	(585)
Interest and other income	679	772	1,311	1,379
Interest and other income (expense), net	(202)	450	(736)	794
Income before tax expense	23,508	18,432	30,697	21,192
Income tax expense	6,235	2,350	7,708	3,453
Net income	$17,273	$16,082	$22,989	$17,739
Net income per common share:				
Basic	$0.42	$0.39	$0.56	$0.44
Diluted	$0.42	$0.39	$0.55	$0.43
Weighted average shares outstanding:				
Basic	41,240	40,739	41,135	40,655
Diluted	41,475	40,969	41,472	40,934
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax	$587	$333	$(825)	$89
Unrealized gain on investments, net of tax	387	406	554	453
Total other comprehensive income (loss), net of tax	974	739	(271)	542
Comprehensive income	$18,247	$16,821	$22,718	$18,281

See accompanying notes to consolidated financial statements

Table of Contents

TRUEBLUE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Twenty-six weeks ended	
	June 26, 2015	June 27, 2014
Cash flows from operating activities:		
Net income	$22,989	$17,739
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	20,917	10,408
Provision for doubtful accounts	3,976	6,286
Stock-based compensation	5,769	4,987
Deferred income taxes	(1,537)	(4,088)
Other operating activities	678	(54)
Changes in operating assets and liabilities:		
Accounts receivable	31,906	(15,180)
Income taxes	5,035	3,647
Other assets	1,474	(66)
Accounts payable and other accrued expenses	5,919	(566)
Accrued wages and benefits	2,603	5,291
Workers' compensation claims reserve	4,463	(792)
Other liabilities	2,506	1,310
Net cash provided by operating activities	106,698	28,922
Cash flows from investing activities:		
Capital expenditures	(7,459)	(6,113)
Purchases of marketable securities	—	(25,057)
Sales and maturities of marketable securities	1,500	36,175
Change in restricted cash and cash equivalents	8,227	19,007
Purchases of restricted investments	(12,959)	(18,196)
Maturities of restricted investments	7,504	7,202
Net cash provided by (used in) investing activities	(3,187)	13,018
Cash flows from financing activities:		
Net proceeds from stock option exercises and employee stock purchase plans	837	1,349
Common stock repurchases for taxes upon vesting of restricted stock	(3,183)	(2,665)
Net change in revolving credit facility	(98,500)	—
Payments on debt and other liabilities	(1,133)	(1,133)
Other	961	1,269
Net cash used in financing activities	(101,018)	(1,180)
Effect of exchange rate changes on cash and cash equivalents	(871)	86
Net change in cash and cash equivalents	1,622	40,846
CASH AND CASH EQUIVALENTS, beginning of period	19,666	122,003
CASH AND CASH EQUIVALENTS, end of period	$21,288	$162,849

See accompanying notes to consolidated financial statements

TRUEBLUE, INC.
Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Financial statement preparation

The accompanying unaudited consolidated financial statements (“financial statements”) of TrueBlue, Inc. (the "Company," "we," "us," "our," and "TrueBlue") are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures usually found in financial statements prepared in accordance with GAAP have been condensed or omitted. The financial statements reflect all adjustments which, in the opinion of management, are necessary to fairly state the financial statements for the interim periods presented. We follow the same accounting policies for preparing both quarterly and annual financial statements.
These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 26, 2014. The results of operations for the twenty-six weeks ended June 26, 2015 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Recently issued accounting pronouncements not yet adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued a new accounting standard intended to simplify the presentation of debt issuance costs. The standard requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation for debt discounts. The recognition and measurement guidance for debt issuance costs is not affected. This guidance is effective for annual periods beginning after December 15, 2015 (Q1 2016 for TrueBlue), including interim periods within those annual periods and must be applied on a retrospective basis with early adoption permitted. TrueBlue plans to adopt the new standard on the effective date. This standard is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued a new accounting standard designed to assist customers in their determination of whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (Q1 2016 for TrueBlue). Early adoption is permitted and may be applied retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date. TrueBlue plans to adopt the new standard prospectively on the effective date. This standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a new accounting standard that sets forth a five-step revenue recognition model, which supersedes current revenue recognition guidance, including industry-specific revenue recognition guidance. The underlying principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new standard provides two methods of initial adoption: retrospective for all periods presented, or through a cumulative adjustment in the year of adoption. On July

9, 2015, the FASB approved a one year deferral of the effective date of the standard. The new effective date is for annual periods beginning after December 15, 2017 (Q1 2018 for TrueBlue), including interim periods within those annual periods. Early adoption is permitted one year prior to the effective date. We have not yet determined which method of adoption will be applied and are currently evaluating the impact that this standard will have on our consolidated financial statements.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

NOTE 2: FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We apply a fair value hierarchy that prioritizes the inputs used to measure fair value:

- Level 1 inputs are valued using quoted market prices in active markets for identical assets or liabilities. Our Level 1 assets primarily include cash and cash equivalents and mutual funds.
- Level 2 inputs are valued based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active. Our Level 2 assets are marketable securities, which may consist of certificates of deposit ("CDs") and commercial paper, and restricted investments, which consist of municipal debt securities, corporate debt securities, asset-backed securities, and U.S. agency debentures. Our investments consist of highly rated investment grade debt securities, which are rated A1/P1 or higher for short-term securities and A- or higher for long-term securities, by nationally recognized statistical rating organizations. We obtain our inputs from quoted market prices and independent pricing vendors.
- Level 3 inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. We have no Level 3 assets or liabilities.

The carrying values of our accounts receivable, accounts payable and other accrued expenses, and accrued wages and benefits approximate fair value due to their short-term nature. We also hold certain restricted investments which collateralize workers' compensation programs and are classified as held-to-maturity and carried at amortized cost on our Consolidated Balance Sheets. We hold long-term debt with variable interest rates that approximate fair value. For additional information, see Note 8: Long-term Debt.

The following tables present the fair value and hierarchy for our financial assets (in thousands):

	June 26, 2015				
	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents (1)	$21,288	$21,288	$21,288	$—	$—
Restricted cash and cash equivalents (1)	58,226	58,226	58,226	—	—
Other restricted assets (2)	11,849	11,849	11,849	—	—
Restricted investments classified as held-to-maturity	94,598	95,198	—	95,198	—

	December 26, 2014				
	Carrying Value	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents (1)	$19,666	$19,666	$19,666	$—	$—
Marketable securities classified as available-for-sale (3)	1,500	1,500	—	1,500	
Restricted cash and cash equivalents (1)	68,359	68,359	68,359	—	—
Other restricted assets (2)	9,972	9,972	9,972	—	—
Restricted investments classified as held-to-maturity	90,095	91,066	—	91,066	—

(1) Cash equivalents and restricted cash equivalents consist of money market funds, deposits, and investments with original maturities of three months or less.

(2) Other restricted assets primarily consist of deferred compensation plan accounts, which are comprised of mutual funds.

(3) At June 26, 2015 we held no marketable securities. At December 26, 2014, all our marketable securities, which consisted of CDs, had stated maturities of less than one year.

NOTE 3: MARKETABLE SECURITIES

We held no marketable securities as of June 26, 2015. Gross unrealized gains and losses were de minimis for the thirteen and twenty-six weeks ended June 26, 2015.

As of December 26, 2014, the amortized cost and fair value of our marketable securities, which were all CDs with stated maturities of less than one year, were $1.5 million. Gross unrealized gains and losses were de minimis for the thirteen and twenty-six weeks ended June 27, 2014.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consist principally of collateral that has been provided or pledged to insurance carriers for workers' compensation and state workers' compensation programs. Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation. The collateral typically takes the form of cash and cash equivalents and highly rated investment grade securities, primarily in municipal debt securities, corporate debt securities, and asset-backed securities. The majority of our collateral obligations are held in a trust at the Bank of New York Mellon ("Trust"). Our investments have not resulted in any other-than-temporary impairments.

The following is a summary of our restricted cash and investments (in thousands):

	June 26, 2015	December 26, 2014
Cash collateral held by insurance carriers	$22,305	$22,639
Cash and cash equivalents held in Trust	34,057	43,856
Investments held in Trust	94,598	90,095
Cash collateral backing letters of credit	1,864	1,864
Other (1)	11,849	9,972
Total restricted cash and investments	$164,673	$168,426

(1) Primarily consists of deferred compensation plan accounts, which are comprised of mutual funds.

The following tables present fair value disclosures for our held-to-maturity investments, which are carried at amortized cost (in thousands):

	June 26, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal debt securities	$52,213	$664	$(155)	$52,722
Corporate debt securities	33,683	155	(134)	33,704
Asset-backed securities	8,702	103	(33)	8,772
	$94,598	$922	$(322)	$95,198

	December 26, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Municipal debt securities	$52,406	$882	$(92)	$53,196
Corporate debt securities	27,715	179	(144)	27,750
Asset-backed securities	9,974	157	(11)	10,120
	$90,095	$1,218	$(247)	$91,066

The amortized cost and fair value by contractual maturity of our held-to-maturity investments are as follows (in thousands):

	June 26, 2015	
	Amortized Cost	Fair Value
Due in one year or less	$10,129	$10,200
Due after one year through five years	47,209	47,407
Due after five years through ten years	37,260	37,591
	$94,598	$95,198

Actual maturities may differ from contractual maturities because the issuers of certain debt securities have the right to call or prepay their obligations without penalty. We have no significant concentrations of counterparties in our held-to-maturity investment portfolio.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

NOTE 5: PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost and consist of the following (in thousands):

	June 26, 2015	December 26, 2014
Buildings and land	$30,992	$30,381
Computers and software	118,601	115,419
Furniture and equipment	11,853	11,690
Construction in progress	6,980	5,415
	168,426	162,905
Less accumulated depreciation	(111,621)	(101,513)
	$56,805	$61,392

Capitalized software costs, net of accumulated depreciation, were $25.8 million and $30.2 million as of June 26, 2015 and December 26, 2014, respectively, excluding amounts in Construction in progress. Construction in progress consists primarily of purchased and internally-developed software.

Depreciation expense of property and equipment totaled $5.8 million and $3.7 million for the thirteen weeks ended June 26, 2015 and June 27, 2014, respectively. Depreciation expense of property and equipment totaled $11.2 million and $7.4 million for the twenty-six weeks ended June 26, 2015 and June 27, 2014, respectively.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table reflects goodwill at June 26, 2015 and December 26, 2014 (in thousands):

	Staffing Services	Managed Services	Unallocated Goodwill	Total Company
Balance at December 26, 2014				
Goodwill before impairment	$128,449	$—	$159,616	$288,065
Accumulated impairment loss	(46,210)	—	—	(46,210)
Goodwill, net	82,239	—	159,616	241,855
Allocated goodwill	42,730	116,886	(159,616)	—
Balance at June 26, 2015				
Goodwill before impairment	171,179	116,886	—	288,065
Accumulated impairment loss	(46,210)	—	—	(46,210)
Goodwill, net	$124,969	$116,886	$—	$241,855

Effective June 30, 2014, we acquired Staffing Solutions Holdings, Inc. ("Seaton"). The goodwill associated with the acquisition has been allocated to our reportable segments. For additional information regarding our segments, see Note 16: Segment Information.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

Intangible assets

The following table presents our purchased finite-lived intangible assets (in thousands):

	June 26, 2015			December 26, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets (1):						
Customer relationships	$123,940	$(29,709)	$94,231	$123,940	$(22,195)	$101,745
Trade names/trademarks	4,422	(3,201)	1,221	4,422	(2,878)	1,544
Non-compete agreements	1,800	(997)	803	1,800	(817)	983
Technologies	18,300	(3,920)	14,380	18,300	(2,212)	16,088
Total finite-lived intangible assets	$148,462	$(37,827)	$110,635	$148,462	$(28,102)	$120,360

(1) Excludes assets that are fully amortized.

Amortization of our finite-lived intangible assets was $4.6 million and $1.5 million for the thirteen weeks ended June 26, 2015 and June 27, 2014, respectively, and $9.7 million and $3.0 million for the twenty-six weeks ended June 26, 2015 and June 27, 2014, respectively.

The following table provides the estimated future amortization of finite-lived intangible assets as of June 26, 2015 (in thousands):

Remainder of 2015	$9,187
2016	18,186
2017	16,157
2018	14,638
2019	12,017
Thereafter	40,450
Total future amortization	$110,635

We also held indefinite-lived trade names/trademarks of $16.2 million as of June 26, 2015 and December 26, 2014.

NOTE 7: WORKERS' COMPENSATION INSURANCE AND RESERVES

We provide workers' compensation insurance for our temporary and permanent employees. The majority of our current workers' compensation insurance policies cover claims for a particular event above a $2.0 million deductible limit, on a "per occurrence" basis. This results in our being substantially self-insured.

For workers' compensation claims originating in Washington, North Dakota, Ohio, Wyoming, Canada, and Puerto Rico (our "monopolistic jurisdictions"), we pay workers' compensation insurance premiums and obtain full coverage under government-administered programs (with the exception of our Labor Ready service line in the state of Ohio where we have a self-insured policy). Accordingly, because we are not the primary obligor, our financial statements do not reflect the liability for workers' compensation claims in these monopolistic jurisdictions. Our workers' compensation reserve is established using estimates of the future cost of claims and related expenses that have been reported but not settled, as well as those that have been incurred but not reported.

Our workers' compensation reserve for claims below the deductible limit is discounted to its estimated net present value using discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. The weighted average discount rate was 1.6% and 1.7% at June 26, 2015 and December 26, 2014, respectively. Payments made against self-insured claims are made over a weighted average period of approximately 4.5 years at June 26, 2015.

Notes to Consolidated Financial Statements—(Continued)

The table below presents a reconciliation of the undiscounted workers' compensation claims reserve to the discounted workers' compensation reserve for the periods presented as follows (in thousands):

	June 26, 2015	December 26, 2014
Undiscounted workers' compensation reserve	$261,582	$256,220
Less discount on workers' compensation reserve	14,280	13,381
Workers' compensation reserve, net of discount	247,302	242,839
Less current portion	61,753	64,556
Long-term portion	$185,549	$178,283

Payments made against self-insured claims were $34.4 million and $29.8 million for the twenty-six weeks ended June 26, 2015 and June 27, 2014, respectively.

Our workers' compensation reserve includes estimated expenses related to claims above our self-insured limits ("excess claims"), and we record a corresponding receivable for the insurance coverage on excess claims based on the contractual policy agreements we have with insurance carriers. We discount this reserve and corresponding receivable to its estimated net present value using the discount rates based on average returns of "risk-free" U.S. Treasury instruments available during the year in which the liability was incurred. The claim payments are made and the corresponding reimbursements from our insurance carriers are received over an estimated weighted average period of approximately 14.7 years. The discounted workers' compensation reserve for excess claims was $44.5 million and $42.6 million as of June 26, 2015 and December 26, 2014, respectively. The discounted receivables from insurance companies, net of valuation allowance, were $40.6 million and $38.7 million as of June 26, 2015 and December 26, 2014, respectively, and are included in Other assets, net on the accompanying Consolidated Balance Sheets.

Management evaluates the adequacy of the workers' compensation reserves in conjunction with an independent quarterly actuarial assessment. Factors considered in establishing and adjusting these reserves include, among other things:

- changes in medical and time loss ("indemnity") costs;
- changes in mix between medical only and indemnity claims;
- regulatory and legislative developments impacting benefits and settlement requirements;
- type and location of work performed;
- impact of safety initiatives; and
- positive or adverse development of claims.

Workers' compensation expense consists primarily of changes in self-insurance reserves net of changes in discount, monopolistic jurisdictions' premiums, insurance premiums, and other miscellaneous expenses. Workers' compensation expense of $22.9 million and $17.5 million was recorded in Cost of services for the thirteen weeks ended June 26, 2015 and June 27, 2014, respectively. Workers' compensation expense of $44.4 million and $33.5 million was recorded in Cost of services for the twenty-six weeks ended June 26, 2015 and June 27, 2014, respectively.

NOTE 8: LONG-TERM DEBT

The components of our borrowings were as follows (in thousands):

	June 26, 2015	December 26, 2014
Revolving Credit Facility	$73,494	$ 171,994
Term Loan	28,523	29,656
Total debt	102,017	201,650
Less current portion	2,267	2,267
Long-term debt, less current portion	$99,750	$ 199,383

Second amended and restated credit agreement

Effective June 30, 2014, we entered into a Second Amended and Restated Revolving Credit Agreement for a secured revolving credit facility of $300.0 million with Bank of America, N.A., Wells Fargo Bank, National Association, HSBC and PNC Capital

Notes to Consolidated Financial Statements—(Continued)

Markets LLC ("Revolving Credit Facility") in connection with our acquisition of Seaton. The Revolving Credit Facility, which matures June 30, 2019, amended and restated our previous credit facility, and replaced the Seaton credit facility.

The maximum amount we can borrow under the Revolving Credit Facility is subject to certain borrowing limits. Specifically, we are limited to the sum of 90% of our eligible billed accounts receivable, plus 85% of our eligible unbilled accounts receivable limited to 15% of all our eligible receivables, plus the value of our Tacoma headquarters office building. The real estate lending limit is $17.4 million, and is reduced quarterly by $0.4 million. As of June 26, 2015, the Tacoma headquarters office building liquidation value totaled $16.1 million. The borrowing limit is further reduced by the sum of a reserve in an amount equal to the payroll and payroll taxes for our temporary employees for one payroll cycle and other reserves, if deemed applicable. Each borrowing has a stated maturity of 90 days or less. At June 26, 2015, $261.6 million was available under the Revolving Credit Facility, $73.5 million was utilized as a draw on the facility, and $4.9 million was utilized by outstanding standby letters of credit, leaving $183.2 million available for additional borrowings. The letters of credit collateralize a portion of our workers' compensation obligation.

The Revolving Credit Facility requires that we maintain an excess liquidity of $37.5 million. Excess liquidity is an amount equal to the unused borrowing capacity under the Revolving Credit Facility plus certain unrestricted cash, cash equivalents, and marketable securities. We are required to satisfy a fixed charge coverage ratio in the event we do not meet that requirement. The additional amount available to borrow at June 26, 2015 was $183.2 million and the amount of cash, cash equivalents and certain marketable securities under control agreements was $21.3 million, for a total of $204.5 million, which is well in excess of the liquidity requirement. We are currently in compliance with all covenants related to the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, we pay a variable rate of interest on funds borrowed that is based on London Interbank Offered Rate (LIBOR) plus an applicable spread between 1.25% and 2.00%. Alternatively, at our option, we may pay interest based upon a base rate plus an applicable spread between 0.25% and 1.00%. The applicable spread is determined by certain liquidity to debt ratios. The base rate is the greater of the prime rate (as announced by Bank of America), the federal funds rate plus 0.50%, or the one-month LIBOR rate plus 1.00%. At June 26, 2015, the applicable spread on LIBOR was 1.50% and the applicable spread on the base rate was 0.5%. As of June 26, 2015, the interest rate was 1.75%.

A fee of 0.375% is applied against the Revolving Credit Facility's unused borrowing capacity when utilization is less than 25%, or 0.25% when utilization is greater than or equal to 25%. Letters of credit are priced at the margin in effect for LIBOR loans, plus a fronting fee of 0.125%.

Obligations under the Revolving Credit Facility are guaranteed by TrueBlue and material U.S. domestic subsidiaries, and are secured by a pledge of substantially all of the assets of TrueBlue and material U.S. domestic subsidiaries. The Revolving Credit Facility has variable rate interest and approximates fair value as of June 26, 2015 and December 26, 2014.

Term loan agreement

On February 4, 2013, we entered into an unsecured Term Loan Agreement (“Term Loan”) with Synovus Bank in the principal amount of $34.0 million. The Term Loan has a five-year maturity with fixed monthly principal payments, which total $2.3 million annually based on a loan amortization term of 15 years. Interest accrues at the one-month LIBOR index rate plus an applicable spread of 1.50%, which is paid in addition to the principal payments. At our discretion, we may elect to extend the term of the Term Loan by five consecutive one-year extensions. At June 26, 2015, the interest rate for the Term Loan was 1.68%.

At June 26, 2015 and December 26, 2014, the remaining balance of the Term Loan was $28.5 million and $29.7 million, respectively, of which $2.3 million is current and is included in Other current liabilities on our Consolidated Balance Sheets. The Term Loan has variable rate interest and approximates fair value as of June 26, 2015 and December 26, 2014.

Our obligations under the Term Loan may be accelerated upon the occurrence of an event of default under the Term Loan, which includes customary events of default, as well as cross-defaults related to indebtedness under our Revolving Credit Facility and other Term Loan specific defaults. The Term Loan contains customary negative covenants applicable to the Company and our subsidiaries such as indebtedness, certain dispositions of property, the imposition of restrictions on payments under the Term Loan, and other Term Loan specific covenants. We are currently in compliance with all covenants related to the Term Loan.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

NOTE 9: COMMITMENTS AND CONTINGENCIES

Workers' compensation commitments

Our insurance carriers and certain state workers' compensation programs require us to collateralize a portion of our workers' compensation obligation, for which they become responsible should we become insolvent. The collateral typically takes the form of cash and cash equivalents, highly rated investment grade debt securities, letters of credit, and/or surety bonds. On a regular basis these entities assess the amount of collateral they will require from us relative to our workers' compensation obligation. The majority of our collateral obligations are held in the Trust.

We have provided our insurance carriers and certain states with commitments in the form and amounts listed below (in thousands):

	June 26, 2015	December 26, 2014
Cash collateral held by insurance carriers	$22,305	$22,639
Cash and cash equivalents held in Trust	34,057	43,856
Investments held in Trust	94,598	90,095
Letters of credit (1)	6,731	6,513
Surety bonds (2)	16,905	16,861
Total collateral commitments	$174,596	$179,964

(1) We have agreements with certain financial institutions to issue letters of credit as collateral. We had $1.9 million of restricted cash collateralizing our letters of credit at June 26, 2015 and December 26, 2014.

(2) Our surety bonds are issued by independent insurance companies on our behalf and bear annual fees based on a percentage of the bond, which are determined by each independent surety carrier. These fees do not exceed 2.0% of the bond amount, subject to a minimum charge. The terms of these bonds are subject to review and renewal every one to four years and most bonds can be canceled by the sureties with as little as 60 days' notice.

Legal contingencies and developments

We are involved in various proceedings arising in the normal course of conducting business. We believe the liabilities included in our financial statements reflect the probable loss that can be reasonably estimated. The resolution of those proceedings is not expected to have a material effect on our results of operations or financial condition.

NOTE 10: STOCK-BASED COMPENSATION

We record stock-based compensation expense for restricted and unrestricted stock awards, performance share units, stock options, and shares purchased under an employee stock purchase plan.

Our 2005 Long-Term Equity Incentive Plan, as amended and restated effective May 2013 ("Incentive Plan"), provides for the issuance or delivery of up to 7.95 million shares of our common stock over the full term of the Incentive Plan.

Restricted and unrestricted stock awards and performance share units

Under the Incentive Plan, restricted stock awards are granted to executive officers and key employees and vest annually over three or four years. Unrestricted stock awards granted to our Board of Directors vest immediately. Restricted and unrestricted stock-based compensation expense is calculated based on the grant-date market value. We recognize compensation expense on a straight-line basis over the vesting period, net of estimated forfeitures.

Performance share units have been granted to executive officers and certain key employees. Vesting of the performance share units is contingent upon the achievement of revenue and profitability growth goals at the end of each three-year performance period. Each performance share unit is equivalent to one share of common stock. Compensation expense is calculated based on the grant-date market value of our stock and is recognized ratably over the performance period for the performance share units which are expected to vest. Our estimate of the performance units expected to vest is reviewed and adjusted as appropriate each quarter.

Notes to Consolidated Financial Statements—(Continued)

Restricted and unrestricted stock awards and performance share units activity for the twenty-six weeks ended June 26, 2015, was as follows (shares in thousands):

	Shares	Weighted-average grant-date price
Non-vested at beginning of period	1,547	$20.03
Granted	487	$22.11
Vested	(518)	$17.16
Forfeited	(265)	$14.87
Non-vested at the end of the period	1,251	$22.44

As of June 26, 2015, total unrecognized stock-based compensation expense related to non-vested restricted stock was approximately $12.0 million, which is estimated to be recognized over a weighted average period of 1.78 years. As of June 26, 2015, total unrecognized stock-based compensation expense related to performance share units was approximately $4.6 million which is estimated to be recognized over a weighted average period of 1.87 years.

Stock options

Our Incentive Plan provides for both nonqualified stock options and incentive stock options (collectively, “stock options”) for directors, officers, and certain employees. We issue new shares of common stock upon exercise of stock options. All of our stock options are vested and expire if not exercised within seven years from the date of grant. Stock option activity was de minimis for the thirteen weeks ended June 26, 2015.

Employee stock purchase plan

Our Employee Stock Purchase Plan (“ESPP”) reserves for purchase 1.0 million shares of common stock. The plan allows eligible employees to contribute up to 10% of their earnings toward the monthly purchase of the Company's common stock. The employee's purchase price is 85% of the lesser of the fair market value of shares on either the first day or the last day of each month. We consider our ESPP to be a component of our stock-based compensation and accordingly we recognize compensation expense over the requisite service period for stock purchases made under the plan. The requisite service period begins on the enrollment date and ends on the purchase date, the duration of which is one month.

During the twenty-six weeks ended June 26, 2015 and June 27, 2014, participants purchased approximately 34,000 and 30,000 shares from the plan, for cash proceeds of $0.7 million each period.

Stock-based compensation expense

Total stock-based compensation expense, which is included in Selling, general and administrative expenses on our Consolidated Statements of Operations and Comprehensive Income, was $2.4 million and $1.9 million for the thirteen weeks ended June 26, 2015 and June 27, 2014, respectively, and $5.8 million and $5.0 million for the twenty-six weeks ended June 26, 2015 and June 27, 2014, respectively.

NOTE 11: DEFINED CONTRIBUTION PLANS

We offer both qualified and non-qualified defined contribution plans to eligible employees. Participating employees may elect to defer and contribute a portion of their eligible compensation. The plans offer discretionary matching contributions. The liability for the non-qualified plans was $12.2 million and $10.1 million as of June 26, 2015 and December 26, 2014, respectively. The current and non-current portion of the deferred compensation liability is included in Other current liabilities and Other long-term liabilities, respectively, on our Consolidated Balance Sheets, and is largely offset by restricted investments recorded in Restricted cash and investments on our Consolidated Balance Sheets.

Page - 14

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

NOTE 12: INCOME TAXES

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment. Our quarterly tax provision and our quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, audit developments, changes in law, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items, tax credits, and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

Our effective tax rate on earnings for the twenty-six weeks ended June 26, 2015 was 25.1%. The principal difference between the statutory federal income tax rate of 35.0% and our effective income tax rate of 25.1% results from federal and state job credits earned in 2015 for prior year hires. These job credits include the federal Work Opportunity Tax Credit ("WOTC") and the California Enterprise Zone Tax Credit. We generated substantially more prior year credits in 2015 because the federal WOTC application due date was extended to April 30, 2015 for 2014 hires, and more workers with higher credits were certified than expected. These factors generated additional tax benefits of approximately $3.7 million, which were recognized as of June 26, 2015. This tax credit benefit decreased our effective tax rate on income for the twenty-six weeks ended June 26, 2015 from our expected 2015 rate of 37.3% to 25.1%. Other differences between the statutory federal income tax rate of 35.0% and our effective tax rate of 25.1% result from state and foreign income taxes and certain non-deductible expenses.

Our effective tax rate on earnings for the twenty-six weeks ended June 27, 2014, was 16.3%. The principal difference between the statutory federal income tax rate of 35.0% and our effective income tax rate of 16.3%, results from the WOTC earned in 2014 for prior year hires. We generated substantially more prior year credits because more veterans with higher credits were certified than expected, our qualified workers worked longer than expected, and many states processed a backlog of credit applications with higher than expected certification rates. These factors generated additional WOTC benefits of approximately $5.0 million, which were recognized as of June 27, 2014. This tax credit benefit decreased our effective tax rate on income for the twenty-six weeks ended June 27, 2014 from our expected rate of 39.9% to 16.3%. Other differences between the statutory federal income tax rate of 35.0% result from state income taxes and certain non-deductible expenses.

As of June 26, 2015 and December 26, 2014, we had gross unrecognized tax benefits of $2.1 million and $2.0 million, respectively, recorded in accordance with current accounting guidance on uncertain tax positions.

NOTE 13: NET INCOME PER SHARE

Diluted common shares were calculated as follows (in thousands, except per share amounts):

	Thirteen weeks ended		Twenty-six weeks ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Net income	$17,273	$16,082	$22,989	$17,739
Weighted average number of common shares used in basic net income per common share	41,240	40,739	41,135	40,655
Dilutive effect of outstanding stock options and non-vested restricted stock	235	230	337	279
	41,475	40,969	41,472	40,934

Weighted average number of common shares used in diluted net income per common share				
Net income per common share:				
Basic	$0.42	$0.39	$0.56	$0.44
Diluted	$0.42	$0.39	$0.55	$0.43
Anti-dilutive shares	106	3	189	2

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares include the dilutive effects of

Notes to Consolidated Financial Statements—(Continued)

outstanding stock options, vested and non-vested restricted stock, performance share units, and shares issued under the employee stock purchase plan, except where their inclusion would be anti-dilutive.
Anti-dilutive shares include non-vested restricted stock and outstanding stock options for which the sum of the assumed proceeds, including unrecognized compensation expense, exceeds the average stock price during the periods presented. Anti-dilutive shares associated with our stock options relate to those stock options with an exercise price higher than the average market value of our stock during the periods presented.

NOTE 14: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income is reflected as a net increase to shareholders' equity. Changes in the balance of each component of accumulated other comprehensive income during the twenty-six weeks ended June 26, 2015 were as follows (in thousands):

	Foreign currency translation adjustment	Unrealized gain on marketable securities (1)	Total other comprehensive income, net of tax
Balance at beginning of period	$848	$23	$ 871
Current-period other comprehensive income (loss) (2)	(825)	554	(271)
Balance at end of period	$23	$577	$ 600

(1) Consists of deferred compensation plan accounts, which include mutual funds.
(2) The tax impact on foreign currency translation adjustment and unrealized gain on marketable securities was de minimis for the period ending June 26, 2015.

There were no material reclassifications out of accumulated other comprehensive income during the fiscal period presented.

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information (in thousands):

	Twenty-six weeks ended	
	June 26, 2015	June 27, 2014
Cash paid during the period for:		
Interest	$1,863	$540
Income taxes	$3,939	$5,820

As of June 26, 2015 and June 27, 2014 we had acquired $0.2 million and $0.4 million, respectively, of property, plant and equipment on account that was not yet paid. These are considered non-cash investing items.

NOTE 16: SEGMENT INFORMATION

Our operating segments are based on the organizational structure for which financial results are regularly evaluated by the chief operating decision maker, our Chief Executive Officer, to determine resource allocation and assess performance. Our service lines are our operating segments. Our reportable segments are described below:

Our Staffing Services segment provides temporary staffing through the following service lines:

- Labor Ready: On-demand general labor;
- Spartan Staffing: Skilled manufacturing and logistics labor;
- CLP Resources: Skilled trades for commercial, industrial, and energy construction as well as building and plant maintenance;
- PlaneTechs: Skilled mechanics and technicians to the aviation and transportation industries;
- Centerline Drivers: Temporary and dedicated drivers to the transportation and distribution industries; and
-

Staff Management On-premise Staffing: Exclusive recruitment and on-premise management of a facility's contingent industrial workforce.

Table of Contents

Notes to Consolidated Financial Statements—(Continued)

Our Managed Services segment provides high-volume permanent employee recruitment process outsourcing and management of outsourced labor service providers through the following service lines:
- PeopleScout and hrX: Outsourced recruitment of permanent employees on behalf of clients; and
- Staff Management: Management of multiple third party staffing vendors on behalf of clients.

We have two measures of segment performance; revenue from services and income from operations. Income from operations for each segment includes net sales to third parties, related cost of sales, and operating expenses directly attributable to the segment. Costs excluded from segment income from operations include various corporate general and administrative expenses, depreciation and amortization expense, interest and other income (expense), and income taxes. Asset information by reportable segment is not presented, since we do not manage our segments on a balance sheet basis. There are no material internal revenue transactions between our reporting segments.

Revenue from services and income from operations associated with our segments were as follows (in thousands):

	Thirteen weeks ended		Twenty-six weeks ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Revenue from services				
Staffing Services	$601,103	$453,227	$1,150,815	$849,290
Managed Services	26,611	—	50,214	—
Total Company	$627,714	$453,227	$1,201,029	$849,290
Income from operations				
Staffing Services	$38,834	$32,195	$63,117	$47,739
Managed Services	4,326	—	7,750	—
Depreciation and amortization	(10,397)	(5,247)	(20,917)	(10,408)
Corporate unallocated	(9,053)	(8,966)	(18,517)	(16,933)
Total Company	23,710	17,982	31,433	20,398
Interest and other income (expense), net	(202)	450	(736)	794
Income before tax expense	$23,508	$18,432	$30,697	$21,192

NOTE 17: SUBSEQUENT EVENTS

We evaluated events and transactions occurring after the balance sheet date through the date the financial statements were issued, and noted no other events that were subject to recognition or disclosure.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMMENT ON FORWARD LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: “Management’s Discussion and Analysis,” and “Risk Factors.” Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Actual events or results may differ materially. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. We describe risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements in “Risk Factors” (Part II, Item 1A of this Form 10-Q), “Quantitative and Qualitative Disclosures about Market Risk” (Part I, Item 3), and “Management’s Discussion and Analysis” (Part I, Item 2). We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

The following Management’s Discussion and Analysis (“MD&A”) is intended to help the reader understand the results of operations and financial condition of TrueBlue. Our MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the fiscal year ended December 26, 2014, and our subsequently filed Quarterly Reports on Form 10-Q. The MD&A is designed to provide the reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect future results. Our MD&A is presented in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Commitments
- Summary of Critical Accounting Estimates
- New Accounting Standards

OVERVIEW

TrueBlue, Inc. (“TrueBlue,” “we,” “us,” “our”) is a leading provider of specialized workforce solutions helping clients improve growth and performance by providing staffing, recruitment process outsourcing, and managed service provider solutions. Our workforce solutions meet clients’ needs for a reliable, efficient workforce in a wide variety of industries. Through our workforce solutions, we help over 135,000 businesses be more productive and we connect as many as 750,000 people to work each year. We are headquartered in Tacoma, Washington.

Revenue grew to $627.7 million for the thirteen weeks ended June 26, 2015, a 38.5% increase compared to the same period in the prior year. The revenue increase is primarily due to the acquisition of Staffing Solutions Holdings, Inc. ("Seaton"), which we completed effective June 30, 2014, the first business day of our third quarter. The end of the second quarter of fiscal 2015 marks the one year anniversary of the Seaton acquisition. The acquired on-premise staffing and recruitment process outsourcing businesses continue to deliver strong results. Revenue for Seaton was $168.0 million for the thirteen weeks ended June 26, 2015, or 37.1 percentage points of our revenue growth.

Organic revenue growth for the legacy TrueBlue business was 1.4% for the thirteen weeks ended June 26, 2015. Excluding our services to the green energy industry, which declined in mid 2014, organic revenue growth was 2.6% for the same period. We do not expect the decline in the green energy business to negatively impact future organic revenue growth.

Gross profit as a percentage of revenue for the thirteen weeks ended June 26, 2015 was 24.2% compared to 26.4% for the second quarter of 2014. The Seaton acquisition carries a lower gross margin than the legacy TrueBlue business, dropping the new blended rate by approximately 2.5% of revenue. This was partially offset by gross margin improvement in the legacy TrueBlue business of approximately 0.3% of revenue related to disciplined pricing of our services.

Table of Contents

Selling, general and administrative ("SG&A") increased by $21.5 million to $117.9 million for the thirteen weeks ended June 26, 2015 compared to the same period in 2014. The increase is primarily related to $21.6 million of expense from the acquired operations of Seaton and an increase of $0.7 million of integration costs, which was offset by a $0.8 million decrease within the legacy TrueBlue operations driven by disciplined cost management. The integration of Seaton is complete.

SG&A expenses as a percentage of revenue decreased to 18.8% for the thirteen weeks ended June 26, 2015 from 21.3% for the same period in 2014. The decline is largely due to the blended impact of the Seaton acquisition, which carries a lower SG&A percentage than the legacy TrueBlue business. The decline is also due to a decrease within the legacy TrueBlue operations driven by disciplined cost management and operating leverage.

Depreciation and amortization increased $5.2 million for the thirteen weeks ended June 26, 2015 primarily due to the amortization of intangible assets acquired in connection with the Seaton acquisition of $3.3 million and the depreciation of the fair value of acquired tangible assets.

Income from operations grew to $23.7 million for the thirteen weeks ended June 26, 2015, or an increase of 31.9%, compared to $18.0 million for the same period in 2014. The improved performance reflects strong revenue growth, disciplined pricing, effective cost control, and operating leverage. The performance of the Seaton acquisition in the first year of operations has delivered on our expectations for income from operations.

Our effective tax rate on earnings for the thirteen weeks ended June 26, 2015 was 26.5%, compared to 12.7% for the same period in 2014. The Work Opportunity Tax Credit ("WOTC") program has not been renewed for 2015 new hires. However, we continue to generate benefits from prior year programs. We generated additional credits for employees hired in 2014 because the federal WOTC application due date was extended to April 30, 2015 for 2014 hires, and more workers with higher credits were certified than expected. These factors generated additional tax benefits of approximately $2.4 million recognized as of June 26, 2015.

Net income grew to $17.3 million, or $0.42 per diluted share, for the thirteen weeks ended June 26, 2015, compared to $16.1 million, or $0.39 per diluted share, for the same period in 2014.

We believe we are in a strong financial position to fund working capital needs for growth opportunities. As of June 26, 2015, we had cash and cash equivalents of $21.3 million and $183.2 million available under the Revolving Credit Facility.

Table of Contents

RESULTS OF OPERATIONS

Total company results

The following table presents selected financial data (in thousands, except percentages and per share amounts):

	Thirteen weeks ended		Twenty-six weeks ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Revenue from services	$627,714	$453,227	$1,201,029	$849,290
Total revenue growth %	38.5 %	7.3 %	41.4 %	10.5 %
Gross profit	$151,966	$119,583	$281,802	$219,142
Gross profit as a % of revenue	24.2 %	26.4 %	23.5 %	25.8 %
Selling, general and administrative expenses	$117,859	$96,354	$229,452	$188,336
Selling, general and administrative expenses as a % of revenue	18.8 %	21.3 %	19.1 %	22.2 %
Depreciation and amortization	$10,397	$5,247	$20,917	$10,408
Depreciation and amortization as a % of revenue	1.7 %	1.2 %	1.7 %	1.2 %
Income from operations	$23,710	$17,982	$31,433	$20,398
Income from operations as a % of revenue	3.8 %	4.0 %	2.6 %	2.4 %
Interest and other income (expense), net	$(202)	$450	$(736)	$794
Net income	$17,273	$16,082	$22,989	$17,739
Net income per diluted share	$0.42	$0.39	$0.55	$0.43

Our year over year trends are significantly impacted by the acquisition of Seaton, which added a full service line of on-premise contingent staffing and new complementary outsourced service offerings in RPO and MSP solutions. On-premise temporary staffing is large scale exclusive sourcing, screening, recruitment, and management of a customer's on-premise contingent labor workforce. RPO is high-volume sourcing, screening, and recruiting of permanent employees for all major industries and jobs. The MSP solution provides customers with improved quality and spend management of their contingent labor vendors. Through the Seaton acquisition we added industry leaders Staff Management | SMX ("Staff Management") for on-premise contingent staffing, PeopleScout and Australia-based hrX for RPO services, and MSP solutions under the Staff Management brand. The service lines offer staffing and outsourced workforce solutions as an integrated partner with their customers. They have dedicated customer on-site and virtual teams which leverage highly centralized support services for recruiting and delivering services to meet the specialized needs of each customer. They do not operate a branch network and accordingly operate more flexible service lines. We are pleased with the Seaton integration and the retention of the senior leadership team and customers. The Seaton acquisition added new services and capabilities to better meet our objective of providing our customers with the talent and flexible workforce solutions they need to enhance their business performance.

The performance of the Seaton acquisition in the first year of operations has delivered on our expectations for revenue and income from operations. The integration of Seaton is complete.

The impact of Seaton on our consolidated results is highlighted as follows (in thousands):

	Thirteen weeks ended June 26, 2015			June 27, 2014
	Legacy TrueBlue	Seaton (1)	Total Company	Total Company
Revenue from services	$459,707	$168,007	$627,714	$453,227
Earnings before interest, depreciation and amortization	26,557	7,550	34,107	23,229
Depreciation and amortization			10,397	5,247
Income from operations			23,710	17,982
Interest and other income (expense), net			(202)	450
Income before tax expense			23,508	18,432
Income tax expense			6,235	2,350
Net income			$17,273	$16,082

	Twenty-six weeks ended June 26, 2015			June 27, 2014
	Legacy TrueBlue	Seaton (1)	Total Company	Total Company
Revenue from services	$857,263	$343,766	$1,201,029	$849,290
Earnings before interest, depreciation and amortization	36,821	15,529	52,350	30,806
Depreciation and amortization			20,917	10,408
Income from operations			31,433	20,398
Interest and other income (expense), net			(736)	794
Income before tax expense			30,697	21,192
Income tax expense			7,708	3,453
Net income			$22,989	$17,739

(1) Seaton was acquired effective June 30, 2014. Therefore, the comparative prior year amounts are not presented.

Revenue from services

Revenue from services was as follows (in thousands, except percentages):

	Thirteen weeks ended		Twenty-six weeks ended	
	June 26, 2015	June 27, 2014	June 26, 2015	June 27, 2014
Revenue from services	$627,714	$453,227	$1,201,029	$849,290
Total revenue growth %	38.5 %	7.3 %	41.4 %	10.5 %

Revenue grew to $627.7 million for the thirteen weeks ended June 26, 2015, a 38.5% increase compared to the same period in the prior year. The revenue increase is primarily due to the acquisition of Seaton. Revenue for Seaton was $168.0 million for the thirteen weeks ended June 26, 2015 or 37.1% of our revenue growth. Revenue grew to $1,201.0 million for the twenty-six weeks ended June 26, 2015, a 41.4% increase compared to the same period in the prior year. The revenue increase is primarily due to the acquisition of Seaton. Revenue for Seaton was $343.8 million for the twenty-six weeks ended June 26, 2015, or 40.5% of our revenue growth.

Organic revenue growth for the legacy TrueBlue business was