

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

---

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

February 9, 2006

**BARRETT BUSINESS SERVICES, INC.**

(Exact name of registrant as specified in charter)

Maryland

(State or other jurisdiction of incorporation)

0-21886

(SEC File Number)

52-0812977

(IRS Employer Identification No.)

4724 S.W. Macadam Avenue  
Portland, Oregon

(Address of principal executive offices)

97239

(Zip Code)

Registrant's telephone number, including area code:

(503) 220-0988

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition.

On February 9, 2006, Barrett Business Services, Inc. (the "Company"), issued a press release announcing its financial results for the fourth quarter ended December 31, 2005, and limited financial guidance for the first quarter of 2006. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits: The following exhibit is furnished with this Form 8-K:

99.1 Press Release dated February 9, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BARRETT BUSINESS SERVICES, INC.**

Dated: February 9, 2006

By: /s/ Michael D. Mulholland  
Michael D. Mulholland  
Vice President - Finance

# NEWS RELEASE

For Immediate Release

Contact: William W. Sherertz  
President and  
Chief Executive Officer

Telephone: (503) 220-0988

## BBSI ANNOUNCES FOURTH QUARTER 2005 OPERATING RESULTS AND FINANCIAL GUIDANCE FOR 1Q06

**PORTLAND, OREGON, February 9, 2006** — Barrett Business Services, Inc. (Nasdaq: BBSI) reported today net income of \$4.3 million for the fourth quarter ended December 31, 2005, an improvement of approximately \$1.8 million or 72% over net income of \$2.5 million for the fourth quarter of 2004. Diluted earnings per share for the 2005 fourth quarter were \$.37, as compared to diluted earnings per share of \$.27 for the same quarter a year ago. For 2005, diluted earnings per share were \$1.21, as compared to \$.79 for 2004.

Net revenues for the fourth quarter ended December 31, 2005 totaled \$58.0 million, an increase of approximately \$6.0 million or 11.5% over the \$52.0 million for the same quarter in 2004. For 2005, net revenues were \$231.4 million, an increase of approximately \$36.4 million or 18.7% over 2004.

Results of Operations	(Unaudited) Fourth Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
	2005	2004	2005	2004
(in thousands, except per share amounts)				
Revenues:				
Staffing services	\$ 29,251	\$ 32,317	\$ 130,098	\$ 123,514
Professional employer service fees	28,712	19,651	101,291	71,447
Total revenues	57,963	51,968	231,389	194,961
Cost of revenues:				
Direct payroll costs	21,864	23,883	97,006	91,190
Payroll taxes and benefits	16,238	11,988	63,889	45,544
Workers' compensation	6,302	6,234	24,667	23,071
Total cost of revenues	44,404	42,105	185,562	159,805
Gross margin	13,559	9,863	45,827	35,156
Selling, general and administrative expenses	7,043	5,756	25,670	22,330
Depreciation and amortization	282	256	974	1,008
Income from operations	6,234	3,851	19,183	11,818
Other income (expense), net	519	300	747	432
Income before taxes	6,753	4,151	19,930	12,250
Provision for income taxes	2,439	1,674	7,440	4,879
Net income	\$ 4,314	\$ 2,477	\$ 12,490	\$ 7,371
Basic earnings per share	\$ .39	\$ .29	\$ 1.29	\$ .86
Weighted average basic shares outstanding	11,018	8,611	9,647	8,587
Diluted earnings per share	\$ .37	\$ .27	\$ 1.21	\$ .79
Weighted average diluted shares outstanding	11,739	9,287	10,343	9,289

The Company changed its reporting of PEO revenues from a gross basis to a net basis in 2002. The gross revenues and cost of revenues information below, although not in accordance with generally accepted accounting principles ("GAAP"), is presented for comparison purposes and because management believes such information is more informative as to the level of the Company's business activity and more useful in managing its operations.

(in thousands)	(Unaudited) Fourth Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
	2005	2004	2005	2004
Revenues:				
Staffing services	\$ 29,251	\$ 32,317	\$ 130,098	\$ 123,514
Professional employer services	183,843	119,871	635,743	419,010
Total revenues	213,094	152,188	765,841	542,524
Cost of revenues:				
Direct payroll costs	175,924	122,697	625,242	434,034
Payroll taxes and benefits	16,237	11,988	63,888	45,544
Workers' compensation	7,374	7,640	30,884	27,790
Total cost of revenues	199,535	142,325	720,014	507,368
Gross margin	\$ 13,559	\$ 9,863	\$ 45,827	\$ 35,156

Gross revenues of \$213.1 million for the 2005 fourth quarter rose 40.0% over the comparable 2004 period. For 2005, gross revenues of \$765.8 million increased 41.2% over 2004.

A reconciliation of non-GAAP gross revenues to net revenues is as follows:

For the fourth quarters ended December 31, 2005 and 2004 (in thousands):

	Gross Revenue Reporting Method		Reclassification		Net Revenue Reporting Method	
	2005	2004	2005	2004	2005	2004
Revenues:						
Staffing services	\$ 29,251	\$ 32,317	\$ —	\$ —	\$ 29,251	\$ 32,317
Professional services	183,843	119,871	(155,131)	(100,220)	28,712	19,651
Total revenues	\$ 213,094	\$ 152,188	\$ (155,131)	\$ (100,220)	\$ 57,963	\$ 51,968
Cost of revenues:	\$ 199,535	\$ 142,325	\$ (155,131)	\$ (100,220)	\$ 44,404	\$ 42,105

For the years ended December 31, 2005 and 2004 (in thousands):

	Gross Revenue Reporting Method		Reclassification		Net Revenue Reporting Method	
	2005	2004	2005	2004	2005	2004
Revenues:						
Staffing services	\$ 130,098	\$ 123,514	\$ —	\$ —	\$ 130,098	\$ 123,514
Professional services	635,743	419,010	(534,452)	(347,563)	101,291	71,447
Total revenues	\$ 765,841	\$ 542,524	\$ (534,452)	\$ (347,563)	\$ 231,389	\$ 194,961
Cost of revenues:	\$ 720,014	\$ 507,368	\$ (534,452)	\$ (347,563)	\$ 185,562	\$ 159,805

William W. Sherertz, President and Chief Executive Officer, commented that: "We are pleased with our 72% increase in net income for the fourth quarter of 2005 as compared to the same quarter a year ago and with the continuing growth of our customer base throughout all operating regions."

The following summarizes the unaudited consolidated balance sheets at December 31, 2005 and December 31, 2004.

		(Unaudited)	
		December 31, 2005	December 31, 2004
(in thousands)			
	<u>Assets</u>		
Current assets:			
Cash and cash equivalents		\$ 61,361	\$ 12,153
Marketable securities		3,548	4,630
Trade accounts receivable, net		26,328	23,840
Prepaid expenses and other		2,514	1,364
Deferred income taxes		5,864	4,100
Workers' compensation receivables for insured claims		242	213
Total current assets		99,857	46,300
Marketable securities		396	—
Goodwill, net		22,516	22,516
Intangibles, net		5	25
Property, equipment and software, net		13,071	4,301
Restricted marketable securities and workers' compensation deposits		2,041	1,702
Deferred income taxes		341	582
Other assets		1,528	401
Workers' compensation receivables for insured claims		4,546	4,158
		<u>\$ 144,301</u>	<u>\$ 79,985</u>
	<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:			
Current portion of long-term debt		\$ 348	\$ 348
Accounts payable		1,366	994
Accrued payroll, payroll taxes and related benefits		28,650	17,427
Workers' compensation claims liabilities		5,729	4,946
Workers' compensation claims liabilities for insured claims		242	213
Safety incentives liabilities		7,687	4,807
Other accrued liabilities		360	414
Total current liabilities		44,382	29,149
Long-term debt, net of current portion		1,094	1,441
Customer deposits		663	608
Long-term workers' compensation claims liabilities		8,532	6,465
Long-term workers' compensation liabilities for insured claims		2,866	2,533
Deferred gain on sale and leaseback		914	1,036
Stockholders' equity		85,850	38,753
		<u>\$ 144,301</u>	<u>\$ 79,985</u>

- 3 -

Barrett Business Services, Inc.  
News Release — Fourth Quarter 2005  
February 9, 2006

#### Outlook for First Quarter 2006

The Company also disclosed today limited financial guidance with respect to its operating results for the first quarter ending March 31, 2006. The Company expects gross revenues for the first quarter of 2006 to range from \$232 million to \$234 million, an increase of approximately 48% over the first quarter of 2005, and anticipates diluted earnings per share for the first quarter of 2006 to range from \$.10 to \$.12 per share. This range of expected earnings per share equates to an approximate increase in net income of 39% over the first quarter of 2005. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the first quarter of 2006 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On February 10, 2006 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss fourth quarter 2005 operating results. To participate in the call, dial (877) 356-3717. The call identification number is 4797340. The conference call will also be webcast live at [www.barrettbusiness.com](http://www.barrettbusiness.com). To access the webcast, click on the investor relations section of the Web site and select webcasts. A replay of the conference call will be available beginning at 11:00 a.m. PT on Friday, February 10, 2006 and ending on February 17, 2006. The access telephone number for the replay is (800) 642-1687 and the access code is 4797340.

BBSI provides human resource management solutions to large and small companies throughout many regions of the United States.

Statements in this release about future events or performance, including earnings expectations for the first quarter of 2006, are forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that could affect future results include economic conditions in the Company's service areas, the effect of changes in the Company's mix of services on gross margin, the Company's ability to successfully integrate acquired businesses with its existing operations, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of our primary markets, collectibility of accounts receivable, and

the use of net proceeds of approximately \$33.1 million and other effects of the Company's recent follow-on equity offering, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2004 Annual Report on Form 10-K. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements may be less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

####